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The Challenge for Hongkong

The worsening conditions of China's financial, trade and industrial position cannot but adversely affect life in the Colony. The outlook for regular trade with China is dark indeed, and further deterioration must be taken for granted. There are already reports talked about in town which purport to know that the Chinese Govt. demands that Hongkong impose import restrictions on itself so that less goods, arriving here from abroad, could be made available for shipment into China; such requests were advanced for the sake of "cooperation".

It is well known here and abroad that our abt. \$60 million a month trade with China depends to a large extent on traffic which is not recorded by the Chinese Customs; to call it smuggling would be incorrect since many highly connected groups in South China are interested in trade with foreign countries. The prosperity of Hongkong is generally supposed to be linked to China's. This is, however, not quite the case as we all see and experience these days. Most fortunately for the Colony, there has been carried on some extensive trade quite unconnected with China either as a buyer or a seller.

What is most urgently required now, seeing that the economic collapse in China is only a question of time, is the energetic development of local industrial production and planning of expansion of Far Eastern trade independently of China. We may hope that SCAP's Japan policy will bear fruit this year so that more regular and mutually profitable trade will result. The pacification of several contested areas in Northern Indochina will also, if achieved without much more delay, materially improve the trading prospects of Hongkong. About British Malaya one can be assured that intensification of trade is smoothly progressing. The advance of reconstruction in Siam has been noted with pleasant surprise here and abroad, and the outlook for increasing trade, although the present level is high indeed, is definitely encouraging. The Philippine Republic is not yet enjoying stable conditions but the recovery of business in Manila is progressing; with American assistance and advice given upon the express solicitation

by the Philippine Govt., one can feel reassured that the newly born Republic will forge ahead with reasonable tempo. The opening up of regular communications with the Netherlands East Indies depends on the establishment of peaceful conditions all over the great archipelago; the present position seems to suggest that no further obstacle on the road to peaceful work of construction jointly carried out by the Dutch and the Indonesians is to be expected. Hongkong ought to profit in a very substantial manner from the return of normal trading conditions in the N.E.I.

The Colony has been an active international broker, as it were, in the years before the war and was on the road to develop an economic existence, although to a large degree contingent upon the commercial well-being of China, quite of its own. We cannot afford to view China of today with any more complacency, which would only amount to self-deception, but have to plan right now for a new basis of the commercial and industrial position of Hongkong; the conception of Hongkong as a "funnel" for China's trade belongs to the past.

The Debacle of the Chinese Dollar

The last ten days have witnessed a crisis in China of almost unprecedented severity. The situation is still fluid and far from settling down in spite of the promulgation of ten economic control measures by President Chiang Kai-shek on February 16. President Chiang's promulgation climaxed the chaotic developments of the earlier part of this month. The crisis was precipitated when Prime Minister T. V. Soong announced an export bonus and an import surcharge on February 6. The pent-up force of inflation, which from time to time frees itself by turning millions of reams of paper money into gold, foreign exchange and commodities, once again reached the critical volume and, aided by popular indignation and the prevailing fapi-phobia of the masses, exploded with a great bang which was heard all over the world. There are economic laws which cannot be ignored nor changed by even the secret police.

China is practically bankrupt, yet she continues with a civil war while suffering from a chronically unbalanced budget; her domestic and foreign debt is fantastically out of proportion with the nation's financial potential, her industrial productivity is negligible, her exports unable to compete on world markets and even then only available in insufficient quantities; the overall picture is grim and, provided there is no settlement of the civil war in the country, hopeless.

The more than a week long convulsions of China's financial markets, reflecting the desperate confusion in all walks of life, came, it is hoped, to a temporary halt with the promulgation of President Chiang's economic control measures which provide for:

- 1.—Institution of a new exchange rate of CN\$12,000 to US\$1. (The announcement of Premier T. V. Soong of Feb. 6 was annulled).
- 2.—Prohibition of Gold and foreign exchange transactions.
- 3.—Extension of loans to productive enterprises.
- 4.—Reduction of government expenditure.
- 5.—Increase of revenue by more efficient collections.
- 6.—Limiting of salaries and wages.
- 7.—Cessation of government support to public utilities which from now on will have to pay their own way.
- 8.—Disposal of gov't-owned industries (except heavy industries).
- 9.—Punishment of profiteers.
- 10.—Inspection of private bank accounts.

It was also announced that the total foreign exchange to be allotted for China's purchases abroad for 1947 will amount to US\$472 million; this is to be China's import ceiling and only urgently required raw materials and machinery will be permitted to be imported into China during 1947.

It remains now to be seen what the effects of the second devaluation of CN\$ in 1947 will be, and how the ban on gold and foreign exchange transactions will affect the economy of China. The Chinese Government, through the Supreme National Defence Council, also ordered that all foreign exchange held by nationals abroad has to be surrendered. This is an order of old standing but it is being temporarily repeated since many Chinese who hold deposits abroad have not yet taken advantage of the government offer to sell their foreign credits at the official Central Bank rate. No longer will be gold and US\$ quotations freely announced in the Chinese press and transactions will most likely be done in a somewhat secretive manner.

President Chiang emphasised very significantly that "the propertied classes have to remember that this government must be supported at all costs"; and he appealed to all sections of the community that they should "demonstrate their patriotic spirit".

Spokesmen of the community previously pointed out, with due timidity and circumspection, that some restraint be exercised by the government when overworking the bank note presses. In spite of all learned explanations made by government spokesmen and fiery denunciations of profiteers and speculators, the more intelligent sector of the community holds that inflation is the basic cause of all the civic unrest and chaotic economic conditions with a commensurate moral decay. Government cannot be supposed to be so naive to think otherwise; or

should prices remain stable irrespective of the flooding of the markets with a few new trillions of paper money? Are the people to prove their patriotism by holding on to a daily depreciating paper money or is it not, from the community's viewpoint, better to hold goods or other values which do not evaporate like the CN\$? The tragedy of the CN\$ is, of course, the tragedy of the common Chinese people; their government has not protected them well and, as was to be expected, confidence in the paternal government authority has decreased at a degree proportionate to the decrease of the purchasing power of the CN\$.

The more realistic members of the Legislative Yuan and the rather insistent Resident Committee of the People's Political Council in Nanking have been very outspoken in their criticism of the financial policy of the Executive Yuan. Charges made by the Legislative Yuan were damaging indeed although one must admit that their recommendations and suggestions for an improvement of the chaotic position of China were not very helpful; there is an unnecessary reiteration of the points of "price control, prevention of hoarding, issue of government loans". The fundamental cause of the Chinese economic debacle is the incessant monetary inflation; and this, in turn, is necessitated by the unbalanced budget of the State, the civil war operations, the relative unproductivity of the postwar Chinese economy, the undeveloped export trade, the deep-rooted graft and corruption and ethical decadence.

First things first: the handling of the scapegoats such as hoarders and speculators can be left to a time when the bank note presses have been turning out their last.

Collapse of Foreign Trade of China

VIRTUAL IMPORT EMBARGO

The establishment of government regulated export and import trade of China is an inevitable consequence of the disorganised and disintegrating economy of the civil war ridden country. When we stated (in our Nov. 20 issue, under "Import Control by China") that "the expansion of the licensing of imports amounts to State control of foreign trade", and later reviewed in a realistic way (Nov. 27 issue, "The New Foreign Trade Position of China") the fundamental conditions which tend to force China into economic collapse, some Chinese officials in Shanghai took exception to so much candid comment and suggested that a more optimistic view be taken.

The developments during the last three months, since the Import Control announcement of November 17 (Introduction of Quota System and Extension of Import Licenses), have been most discouraging. It is impossible to take another view of the progress of economic disintegration in China. Every sanguine observer of the Chinese scene during the past 18 months of peace has been utterly disappointed.

The most vociferous because most frustrated people were American business men and officials. American traders cry out against the inefficiencies and corruptions so prevalent to-day in China, they protest against and they resent the steady deterioration of trading opportunities with China. British traders sit back and prefer to keep silent, while others seem to disinterest themselves altogether in the affairs of China.

The trend towards totalitarian economy in China can no longer be concealed nor delayed. The majority of younger officials in the National Government are all for air-tight central control extending not only to foreign trade but to banking and industrial production as well. The example of the Soviet Union is, only an apparent paradox, admired in Nanking and looked upon as the only system promising national salvation.

Foreign trade has, since last November, been put on a semi-monopoly basis; the force of circumstances is speeding up the process of complete State control over China's foreign trade.

The practical application of the announced regulations regarding the control of imports has revealed a sad spectacle for Chinese and foreign traders. Instead of coming out with the truth and admitting that the intention of the introduction of the quota and licensing system was to stop virtually all imports, with the exception of those referred to as "essential", according to government interpretation, an enormous apparatus of red-tape bureaucrats was set up which eventually produced nothing but frustration for the traders. It was, quite naturally and understandably, the design of the government to get at the root of the outflow of foreign exchange by clamping down on imports. The obvious plan was, and continues to be, to balance exports against "essential" imports which necessitates the drastic closure of China to the majority of foreign imports. Exports, however, cannot be greatly increased so that imports have to be balanced, more or less, against the present low level of Chinese exports. Consequently, the import business in Shanghai has been now since about three months at a standstill. The best these traders can hope for is less severe application of the government import control in regard to "pre-zero" commitments (imports ordered and, in most cases, paid for prior to Nov. 17).

The importers, both foreign and Chinese, are upset about the operation of the import control; while one may sympathise with their plight, the national interests of China certainly cannot be impaired for the benefit of private business of the "free enterprise" or any other type. The majority of importers in Shanghai will have to bow out of existence and only a small number of suppliers of "essentials" can be expected to continue their businesses in China.

The registration of importers with the "Board for the Regulation of Imports", another characteristic attempt to slur over the facts and necessities of the economic emergency, has so far resulted in the Board's acceptance of over 10,000 applications and in the Board's permission to operate an import business for about 300 companies. It is even questionable whether all of the 300 importers, foreign and Chinese, will obtain a sufficient number of import licenses; it is more likely that only the leading and old-established import houses in Shanghai will be entrusted by the Board to purchase abroad the selected "essential" raw materials and machinery.

The imposingly large number of Chinese importers will have to look for other means to keep alive; foreign importers, who now find themselves out of business, will either migrate to other, more lucrative pastures or change over to another occupation in turbulent Shanghai. Some of these frustrated importers, victims of adverse circumstances, believe that with some persistence and nagging they will eventually get back into some meagre business. They seem to derive hope from the continued hush-hush observed by the Chinese Govt. regarding quotas and the issue of import licences misinterpreting the official silence as a "good omen". Some would-be importers, with as much emphasis as futility, desire the performance of retaliatory steps by foreign countries who ought to curtail Chinese luxury imports (silk, musk, furs, curios, embroideries, ivory wares, etc.). They also point out that

Unra's industrial and raw material supplies are indirectly responsible for the position they find themselves in at present, and that the enormous U.S. surplus and lend-lease deals have greatly contributed to the predicament faced now by several hundred foreign importing firms in Shanghai.

Paralleling their accusations and protests, several equally misinformed Chinese public bodies are campaigning against the peril of foreign imports, demanding that their government proscriber foreign goods. Some Chambers of Commerce, like the fierce one of Chengtu, just call for a boycott of foreign goods, and as American goods are these days very conspicuous even in the China backwoods, they clamour for a "purge" of U.S. goods. A perusal of the recent emanations of Chinese trade and commercial organisations makes one realise that foreign imports are now looked upon by a good many people in China like the contents of Pandora's box, while the Chinese importer has been repeatedly called, "traitor".

Government, however, which, of course, very well knows the impelling reasons for the increasing State control of foreign trade, does not come out with a clear-cut presentation of facts which would, we believe, purify the whole unpleasant atmosphere but would, unfortunately for the Oriental mind, involve some "loss of face".

Difficile est Satiram non Scribere

In the midst of all the turmoil of skyrocketing prices on all markets the Municipal Council of Nanking remained unperturbed. It issued a manifesto, not dealing with inflation, speculators or cotton yarn prices, but with the old stand-by: the restoration of sovereignty over Hongkong and Macao. No other and more pressing problem moved this Council in these trying days of ever increasing prices than the "speedy evacuation of Hongkong and Macao". Dairen and Port Arthur were mentioned in the same breath as being in urgent need of restoration to Chinese sovereignty.

Another very active Municipality was meanwhile, on February 14, hunting after gold and US\$ dealers in a more raucous fashion than the Japanese gendarmes of cannibalistic fame. The Mayor of Peiping solved the whole price muddle by declaring that all gold and US\$ dealers were "traitors" who would be summarily arrested and their possessions—here is the human interest angle—confiscated. This new interpretation of the much abused appellation "traitor" took the gold shops and the city's bankers by surprise but they all kept finally their heads on with composure; whether the same can be said of their possessions was, however, not clearly reported.

Hongkong's Textile Industry

As will be seen from the tabulation of industrial establishments at present operating in Hongkong elsewhere in this issue the knitting and weaving mills occupy a conspicuous place. The local plants manufacturing made-up cotton goods of all descriptions (like underwear, bed sheets, Chinese garments, socks and stockings, towels etc.) number about 270. The importation of rayon yarn from Japan has already commenced and will further aid in the quick rehabilitation of the local textile industry to its pre-war level. Shipments of woollen yarn, apart from woollen piece goods, will soon arrive here as well. Cotton, rayon and woollen yarn all originate in Japan. Without the successful purchasing efforts of Hongkong Govt. made in Japan some months ago the local textile industry would not have been able to start on the road back to normal and profitable business.

The Industries of Hongkong

Far too little emphasis has been laid in the past on the industrial possibilities of Hongkong; profits derived from trade and shipping were regarded as so satisfactory that industrial development was not seriously attempted with the exception of industries directly or indirectly connected with shipping (docks, warehouses). A beginning was made a number of years ago with sugar refining and the manufacture of cement but it was only in recent years that mostly Chinese capital went into the manufacture of cotton knitted, woven and made-up goods, electric torches & batteries, rubber shoes, rope, tin refining, etc.

Agriculture was always neglected and has been improved during the war years only because of the urgent needs of a half starving population in occupied Hongkong. Mining in the New Territories, though promising as a business proposition, has never been carried out to any great extent. Even the fishing industry is conducted here without plan, modern equipment and fishing vessels; the consequence is that, instead of being an exporter of fish and canned fish products, the Colony has to augment its local supplies by heavy importation mostly from China and Macao.

The chaotic conditions in China of today and the ever increasing trade restrictions which Hongkong faces in dealing with China will necessarily lead to an intensification of the Colony's industrialisation. Much capital from China has come here which waits for investment in industrial establishments; a considerable number of engineers and skilled workers are in Hongkong and the labour reservoir is almost daily swelling. Conditions for a quick return to the pre-1941 industrial level of production and employment are promising and encouraging and with some imagination, energy and an intelligent appraisal of different industrial propositions there should be no longer any delay in tackling a variety of jobs.

The weaving and knitting equipment of local mills is on the average in good condition. Available are: approx. 2,200 power weaving looms, 2,500 hand weaving looms; 1,200 power knitting machines, 500 hand knitting machines; 900 power driven hosiery machines, 1,000 hand driven hosiery manufacturing machines.

The S.T. & I. Department's rationing of cotton yarn maintains all local weaving and knitting establishments at over 50 percent of their capacity. Full employment depends no longer on arrival of Japanese yarn, which is plentiful in the Colony, but on marketing conditions. Local production and labour costs are rather high which prejudice smooth sales of the finished products on overseas markets. China as a customer is practically dead although Hongkong piece goods exports to China may leave the Colony by devious routes and without being recorded by the Chinese Customs. The overseas markets for Hongkong produced piece goods are, however, the Far Eastern countries in South East Asia and South Africa. The question of Imperial Preferences, if settled in a realistic way by considering the present world shortages in cotton supplies and finished cotton products, may substantially aid the local textile industry to recover and operate on a 100 percent employment and production basis.

On the whole cotton yarn imports cost between 2 to 3 times more than in 1941 while local labour costs have risen about 5 times. The arrival of Japanese yarn and the arrangement made for obtaining regular monthly supplies from SCAP, Tokyo, have also encouraged local textile labour to advance claims for higher wages. Until a regular overseas market has been assured such demands are unlikely to find accommodation by the local textile industry.

(Total Japanese cotton yarn imports during the first six weeks of 1947 amounted to 11,000 bales or 4.4 million pounds).

The present is Hongkong's opportunity for expanding most of its former industrial establishments and for building up a number of modern industries. Government may do well to consider, in a move to speed up plans and to advise private enterprise, the setting up of a Committee on Industrial Planning or an Advisory Body for the Industrialisation of the Colony.

The Present Industrial Position

From various private and semi-official records available in the Colony two lists of prewar and at present operating industrial establishments have been compiled. Some minor inaccuracies, however, may have occurred in the compilation.

The total number of industrial establishments in Hongkong and Kowloon is now somewhat in excess of 780; this figure, however, does not include the local newspapers and public utilities. There are about 18 English and Chinese newspaper enterprises in the Colony. Of the public utilities two are operated by the Government, i.e. the railway and the water works; local public companies own and operate 2 power companies, 2 omnibus companies, 2 public ferries, the gas, tramway and telephone companies.

The total skilled and unskilled labour force employed in Hongkong's industries is approx. 30,000 to 31,000. If all industrial establishments in the Colony would be operating at full capacity an estimated total of 40,000 to 45,000 workmen and women could be employed. As labour conditions are at present the dockyards employ over 35% of the total of Hongkong's industrial labour. The by far largest employer are the Taikoo Dockyards (Butterfield & Swire) where about 6,000 men and women are busy in the extensive and modernised docks. The Hongkong & Whampoa Docks employ about 3,000 to 3,500, the Cosmopolitan Docks some 700, and smaller dockyards several hundred more.

Other big employers, apart from the public utilities, are: the Great China Match Co. employing about 460, the Hongkong Match Co. abt. 150, Chiap Hua Metal Co. abt. 120, Fung Keong Rubber Co. abt. 200, Wah Keong Rubber Co. abt. 250, H.K. Rubber abt. 260, British Cigarette Co. abt. 425, the two Brick works each abt. 150, the cassia sorting business of T.O. Wong & Co. abt. 540, the China Bros. Hat Co. abt. 330, the Tiger Balm Factory and other Eng Aun Tong medicine manufacturing plants abt. 380.

The cotton knitting mills have, apart from the dockyards, the largest number of labourers on their pay lists. Many of the knitting and weaving mills were idle until early January, and still are not fully employed although enough Japanese cotton yarn has been and will be made available to keep them all going. On the average the knitting mills employ abt. 30 hands, and the weaving mills over 40 hands per establishment. The total number of workers (male and female) in the knitting and weaving mills, at full capacity, should amount to over 10,000. The larger weaving mills employ each over 100 labourers. Given enough yarn and competitive export markets, the employment position in the cotton weaving and knitting industry could contribute greatly to the prosperity of the Colony. The rubber shoes industry which could easily employ abt. 2,000, the engineering and the metalware industries are very

promising branches of Hongkong's economic tree; as they are assisted in growing, the general standard of living here will improve. The previously flourishing cement plant is at present not operating but it is believed that within a short time again abt. 300 workmen will be back at manufacturing cement.

Before the war the Taikoo sugar refinery employed a large number of labourers but, owing to the damage suffered during the war, the plant is still not in a position to resume although the owners are confident that within not too long a time the sugar refinery will be back in operation.

In prewar years Hongkong industries contributed only in a small way to the increase of exports from here; f.i. the values of exports of rubber shoes (mostly to U.K.) comprised abt. 1—1½% of the total amount of exports of the Colony. Similar percentages for other industries were: Ginger ½%, knitted and made-up goods 3%, flashlights ½—1%, refined tin 5%, lard 1%.

Imperial Preferences

The future increase of exports of several local industrial products depends largely on an adjusted interpretation of Imperial Preferences, or at least a temporary waiver of some of the applications of Empire Preferences. Knitted, woven & made-up goods, for instance, can only be imported into the Empire if accountants can be satisfied that only Empire yarn has been used (compare our issue of Feb. 5, page 70). Rubber shoes exports are also required to satisfy Empire Customs authorities that only rubber from Empire plantations has been used in the manufacture of shoes. As regards torches it is necessary to prove that British brass exclusively had been used.

Industrial Establishment operated in Hongkong & Kowloon before the outbreak of the Pacific War, 1941, and as on January 31, 1947.

	December 1941 in Hongkong	in Kowloon	Jan. 1947 in Hong- kong and Kowloon
Aerated Waters	2	1	3
Brewers & Distillers	—	1	1
Brick Works	—	2	2
Buttons	1	4	9
Carbon Sticks	—	2	2
Cloth Printing	—	3	—
Cement Products	—	2	1
Cement & Cement Tiles	1	2	1
Chemicals	1	1	3
Coal	1	—	1
Confectionery	16	11	13
Cotton Quilts	3	—	1
Dry Batteries	3	16	11
Dyeing	—	15	7
Electric Plating	16	9	7
Electric Bulbs	1	4	5
Embroidery	—	3	3
Engineering	9	15	52
Face Powder	—	3	1
Feathers	3	2	5
Fire Crackers	—	1	—
Flour Mills	3	10	7
Foundries	—	6	12
Furniture	7	5	1
Glass & Mirrors	10	9	17
Gourmet Powder	—	1	4
Green Peas	3	—	—
Gunny Bags	1	—	—
Handkerchief & Garter	4	4	1
Hats	5	7	6
Ice	4	1	4
Ink	3	3	1
Ivory Wares	1	—	1
Joss Sticks	—	8	2
Knitting Factories ..	4	142	147
Lard	—	1	—
Laundry	4	2	4
Leather & Tanneries	5	7	4
Mat & Grass Rope ..	1	2	1
Medicines	4	3	9
Metal Wares	12	21	59
Milk (Dairies)	1	1	2
Mosquito Sticks & Insect Powder	1	5	3
Noodles (Macaroni)	1	3	2
Ore Refineries	3	7	—
Lacquar & Paint	2	1	5

(Continued on next page)

A MAJOR HONGKONG INDUSTRY: RUBBER SHOES

HIGH PRODUCTION PRICES—NO EXPORTS TO U.K.

Before the War Hong Kong enjoyed a large trade with the United Kingdom and other markets in locally manufactured rubber canvas footwear. High costs of manufacture have so far made it impossible to resume these exports, but a moderate output has been maintained for local consumption. This has been made possible by the efforts of the Department of Supplies, Trade & Industry in obtaining supplies of rubber and in arranging that cotton yarn found in the Colony after the surrender of the Japanese was supplied to local weaving factories for making into canvas for the rubber shoe trade.

As early as January, 1946, the Association of Hong Kong Rubber Footwear Importers in London cabled the General Chamber of Commerce in Hongkong stating that the Board of Trade required immediately information as to the Hongkong factories which could operate immediately, the number of pairs which they could manufacture individually and ship to the United Kingdom monthly, with date of commencement of such supplies. This message was referred to the local Association of Rubber Footwear Exporters who advised that the only reply possible was that Hongkong factories were not yet ready to export on account of shortage of raw materials.

It came to notice that during the Occupation a large number of new rubber footwear factories—most of them small—had been established. Nearly thirty factories, represented at a meeting held Jan. 25, 1946, claimed that, if raw materials were made

available, they could produce as many as sixty million pairs of rubber shoes by the end of the year. These claims were thought to be greatly exaggerated and, at any rate, throughout the year, canvas, rubber and chemicals were in such short supply that the total output was extremely small by pre-war standards.

The Chamber wrote to the Government on April 10, stating that the factories established before the war—although three had suffered no damage—were still amply sufficient to cope with all the business that would be possible for some time to come, restricted as it would inevitably be by shortage of supplies. The letter continued:—

"During the war years, and subsequently, numerous rubber manufacturers and so-called rubber manufacturers commenced operations. These new concerns looked to the Military Administration for a share of the controlled raw materials as they became available. This was natural and right, but it appears to the Chamber that safeguards are necessary in order to ensure that new and untried concerns do not, by exaggerated claims as to possible output, obtain a larger quantity of materials than they can legitimately consume and then sell the surplus on the black market, or commit breaches of export prohibitions. From prosecutions which have been noted it seems that these malpractices have occurred.

"With a view to supporting the policy of the Military Administration, the pre-war Association of Rubber Manufacturers invited all those interested in the trade to join the Association, but for some reasons or another the majority of the new factories have not responded. In consequence of this the Association has not felt itself entitled to approach the Administration with a considered scheme for the equitable allocation of the raw materials available, but has felt obliged to advise each firm to make its own individual application.

"The Chamber of Commerce does not feel that this position is satisfactory and seeks information as to whether the Industry Section has the organisation which makes it possible to inspect the factories as to their claims regarding output and as to their proper use of raw materials when obtained. The ground for these doubts is that it has been noted that, recently, of 200 tons of rubber which was made available, the pre-war factories received only 38 tons and the new factories 162 tons. It is suggested that in future allocations a minimum of 60 per cent. of raw materials should go to the pre-war factories.

"In this connection it is also noted that, when 250 tons of pre-war importation of cotton yarn were discovered in the Colony, the entire quantity was allocated to 14 out of 30 weaving factories, which, in the absence of complete information, seems open to criticism as inequitable. The question again arises as to whether the Industry Section has the organisation to go fully into the matter or is compelled by circumstances to make a rough-and-ready allocation.

"The Chamber appreciates the difficulty which the Administration probably feels in depending for advice in these matters on interested parties and suggests that the solution lies in two directions (1) the setting-up of an adequate inspectorate for the examination of claims by factories for a share of raw materials, and (2) the presence on control organisations of representatives of the business community. A summary of claims as to possible output made by all the rubber footwear factories now in existence gives a total of 60 million pairs annually. It is the opinion of experienced export firms that any such figure is likely to prove to be greatly exaggerated and it is hoped that the Administration has not communicated it to Government Authorities in London as a serious estimate.

"One other point may be conveniently dealt with here. As to yarn found in the Colony and issued to weaving factories, it is probably impossible now to state the origin of the yarn, but if the product is exported to the United Kingdom it should be pointed out to the Customs Authorities that the application of labour within a British Colony has given it a substantial percentage of Empire content and they should be asked to

accept it, on the understanding that British canvas will be used as soon as it is obtainable."

On May 23 the Association of Hongkong Rubber Footwear Importers in London wrote to the local Association of Footwear Exporters, stating that great concern was felt at the fantastic prices being quoted for Hongkong Rubber Footwear "no doubt due to heavy inflation". It was pointed out that the United Kingdom Government controlled importations by licence and the prices and margins of profit for all concerned. While present quotations continued there was no chance of getting the Home Government interested in reviewing import quotas. Meanwhile the United Kingdom and Canadian factories were stepping up production, and it would be more and more difficult for Hongkong to regain its pre-war share. This letter was discussed by the Export and Imperial Preference Sub-Committee in consultation with Mr. J. A. Galvin, of the Department of Supplies, Trade & Industry. As a result, the Department wrote to the London office of the Hongkong Government on June 28, commenting on the statement that unless rubber shoes made in Hongkong are supplied to the United Kingdom now, the Hongkong manufacturers may lose their export quota. It was requested that the Board of Trade be approached to ascertain the accuracy of this statement and, at the same time, to take the necessary steps to ensure that the Hongkong quota is maintained. The letter continued:

"It appears to be little understood in London that the high cost of commodities in Hongkong, and rubber shoes is one of them, is not necessarily a sign of inflation. It is simply a matter of supply and demand. There is little or no footwear in the Colony, therefore shoes find a ready sale here at high prices—prices made high by the scarcity of the materials used to produce them.

"Canvas and chemicals which form the major part of the production of all kinds of shoes have only been obtainable at very high prices. The only canvas to come into the Colony for the making of shoes was imported from China, a country suffering from inflation. The United Kingdom has been unable to supply canvas in a sufficient quantity to warrant production for the United Kingdom. Further, rubber has been short, as have chemicals. By the production of a limited quantity of canvas locally, made from cotton yarn found in the godowns upon re-occupation, and using rubber imported at a controlled price, it is now possible to fix a local controlled price for rubber shoes. The price is still three times as high as the pre-war export price, and until (a) adequate canvas is available from England at a satisfactory price, (b) adequate rubber is available from Malaya at a satisfactory price, and (c) chemicals used to mix with the rubber for the production of soles are available in quantity, it will be difficult to reduce the local price of approximately HK\$40.00 per dozen pairs.

"There are four further factors which concern the export business—it is difficult to estimate when they will vary. They are (1) Wages: labour charges, which are the lowest single cost in the production of shoes, are now the highest. (2) Other charges such as electricity and coal are equally high. Coal is up to ten times its pre-war price, electricity is five to seven times pre-war price and petrol is two-and-a-half times pre-war price. (3) Timber required to make boxes is costly, due to the lack of timber available for the manufacture of furniture. Low-grade timber is now used for furniture-making instead of box-making. Paper and cardboard for boxes are all three to four times pre-war price. (4) Freight and handling charges are now all in excess of 1939.

"From the foregoing, you will realise that, with the best will in the world, the Hongkong manufacturers cannot yet offer rubber shoes at a price which will enable them to compete in England. Therefore, it is hoped that the Board of Trade, who understand many of the difficulties which concern us, will not legislate in any way that may affect this vital industry adversely. Your kind co-operation to obtain such an assurance is requested."

On October 8 the Chamber learned from the Department that "the absence of Hongkong imports of rubber footwear into the United Kingdom at present will certainly not preclude consideration of future shipments on their merits, if and when Hongkong manufacturers have rubber footwear available at reasonable prices. There is no question of our manufacturers losing any quota owing to delay in settling their price problems."

Paper Boxes	2	—	4
Paper Dyeing	—	4	1
Peanut Oil	1	3	4
Pencils	—	1	2
Perfumery	7	1	5
Petroleum	1	3	4
Preserves (Ginger etc.)	2	19	12
Printing	73	15	57
Radio	1	1	1
Rattan Ware	2	3	4
Rope	1	—	1
Rubber Shoes	2	8	41
Sandal Wood, Sandal Powder, Gypsum Powder	1	4	1
Sesamum Seeds	1	—	—
Silk Stockings	—	16	9
Ship Building & Repairing	4	7	7
Shirts & Garments	12	18	19
Shoes	4	1	2
Soap	2	—	1
Soy	1	4	8
Sugar Refineries	2	2	—
Tea Packing & Colouring	3	—	—
Thread	1	1	3
Tooth Brushes	—	2	5
Tooth Picks	—	2	—
Timber (Saw Mill)	11	6	13
Tin Can	10	3	9
Tobacco	8	1	2
Torches	14	9	14
Twine & Cordage	1	2	1
Umbrella	1	3	—
Vacuum Flasks	1	—	3
Vermillion & White Lead	2	4	—
Water Pipes	1	1	—
Weaving	2	91	94
Miscellaneous	9	10	4

In addition the following industrial establishments are operating as on January 31, 1947:

Bean Curd	3
Bakelite Wares	1
Bicycles & Tricycles	1
Camphor Wood Trunks	4
Camphor Oil & Powder	1
Cassia Sorting	3
Cold Storage	1
Cork	1
Dye Stuffs	1
Enamel Wares	1
Fishing Nets	1
Matches	5
Peppermint Oil	2
Rubber Tyres	2
Shoes Laces	3
Stationery	1
Toys	2
Types	1
Zinc Powder	1

Exchange & Financial Markets

The Exchange Markets This Week

CN\$ quotations on Monday and Tuesday (Feb. 17, 18) were moving between HK\$47/51 for spot and 35/40 for futures. The tendency is weak and little, if any, confidence is expressed in the temporary stability of the official Chinese exchange rate.

Gold was bearish and slumped at one time to \$272 per tael, recovered on Tuesday to around \$285. The local position does not favour a much higher price on account of very large stocks stored in local vaults. Selling pressure will last for some time and the position can only change if larger quantities of locally held gold can be exported which at the moment, owing to the peculiar conditions in Canton and elsewhere in China, is very difficult.

The US\$ rate came down and importers were able to buy at \$4.77-4.90, drafts at \$4.89-4.95, and T.T. New York at \$5.02-5.08.

Shanghai exchange markets were closed and security measures taken by Chinese military, municipal and secret police organs practically silenced gold and exchange bankers and brokers. Some transactions were, however, reported at the following rates: gold between CN\$800,000 to 650,000; US\$ between 12,500 to 14,000; HK\$ between CN\$2,500 to 3,000. Conditions in Shanghai are reminiscent of martial law periods; exchange banks and native shops, jewellers' and goldsmiths' premises are closed and only secret dealings are carried on. The functioning of secret police agents, many arrests and interrogations, searches conducted in the premises of banks and offices, are some of the features of this week's exchange market of Shanghai.

The Hongkong Exchange Market

Gold experienced a considerable drop from a highest price on Monday (Feb. 10) of \$322 1/2 per tael to \$285 (on Feb. 15), a drop of almost 12% within the week under review (Feb. 10-15). The sales pressure of bullion dealers in Mexican gold coins, which were recently imported in very large quantities and could not on account of financial disorders in Canton be shipped in big quantities into the interior, have caused appreciable losses in the local gold rate. The local speculative gold market has acquired more coins from the stock originally consigned for Macao, and disposes now of about 20,000 taels which are the reservoir for daily gold transactions. On strait days about 5,000 taels change hands while the turnover on weaker trading days is around 1,000 taels (or coins). The gold cross rate, on account of the persistent high T.T. New York rate, makes at present imports of Mexican gold coins a not too profitable proposition. At the close of last week the cross rate stood at US\$46/47 per troy ounce against US\$50 of the previous week (which was also about the same in Shanghai). The market appeared to take a report that gold could be imported from South Africa quite seriously; the price of S. African gold, delivered here, should only amount to HK\$270 per tael. Many dealers were confident that gold from Africa, obviously via London, could be shipped or flown here. The confused conditions of the gold and exchange markets in China had no direct influence on the rate here; indirect influence, however, was exerted by the military and gendarmerie interference with banks in Kwantung which caused the forced unloading of several gold dealers' stocks in the local market.

The US\$ note market was firm and showed no signs of an early adjustment to the official exchange rate. The arrival of a considerable number of U.S. Naval personnel, coming with the American Admiral commanding the U.S. Naval Forces in the Western Pacific, did not, as was the case on previous occasions when larger U.S.N. contingents were in the harbour, bring down the rate. The local demand for US\$ notes continues to be strong. The T.T. New York rate remained on the whole around 5.20 with larger deals being reported. Merchant demand was conspicuous. U.S. imports continue to be heavy although not as large as in January. A larger amount of D/D were collected in the market and either airmailed by the brokers to New York or directly sold here to merchants who had to cover their obligations for American imported commodities.

The "tragedy" of the CN\$, to use Gen. Marshall's phrase, while causing great hardships in China, did not disturb the local financial world. As was reported in our previous issue ("Exchange & Financial Markets") local financial circles were stunned; Chinese bankers were so speechless that they could not even comment on the violent ups and downs of the Chinese dollar. One was here always sceptical about the value of the CN\$ and prepared to see its value in terms of foreign exchange regularly drop; but the hysterical movements of the rate could not but surprise even the most cynical observer of the Chinese financial scene. The highest price during the week under review was \$63 and \$45 spot and forward, and the lowest price \$40 and \$22 respectively (for CN\$100,000). These upside down fluctuations are nothing compared to the developments in Canton; there the rate dropped at one time to CN\$3,200 for one HK\$ (or about HK\$31); gold topped once CN\$1,200,000 per tael, then it fell to 600,000.

The Shanghai Exchange Market

From the approximate highest and lowest prices for the week under review the extent of confusion will be seen: gold H: 930,000, L: 580,000; US\$ H: 19,000, L: 12,000; HK\$ H: 3,100, L: 2,300.

The wild exchange market quotations reveal the degree of economic disorder which prevails at present in Shanghai. Business is, of course, not possible to conduct under such paralysing conditions, and most economic activity in Shanghai has actually come to a standstill during last week. The situation is serious also from the point of view of peace and order in the city. The authority of the National and Municipal Governments has been severely challenged by the confusion in the financial markets in Shanghai. The situation remains serious and critical.

Criticism of the authorities, voiced all over the city, was devastating; the mood of the common people is rebellious. Government has tried desperate means to overcome the crisis: a state similar to martial law has been declared by closing banks and gold dealers' premises, carrying out searches and interrogations, temporary detentions of supposed speculators etc. Municipal Police, gendarmerie and Secret Police were all engaged in these operations. It appears that very drastic measures were taken in Canton when the district where the exchange bankers operate (San Sam Hong) was virtually occupied by the gendarmerie and the picture in the vicinity of Tai Ping Lu resembled a military camp. A number of smaller and medium banks in Canton declared bankruptcy, others hurriedly left town (many of these escapees were setting up new exchange centres in the West River area, esp. Fatshan). Telephone lines were cut, jewellers' shops were wholesale closed down, and generally the state of emergency in Canton was trying the nerves of the population extremely hard. Covering the exchange markets last week one felt almost like a war correspondent.

New Official Rates

Central Bank of China buys gold at CN\$480,000 per ounce (corresponding to a cross rate of US\$40), buys US\$ at CN\$11,640, and sells, only for approved import and other requirements, at CN\$12,000. These rates are in force since Feb. 17. The total for exchange disbursement by the National Govt. for the first half year of 1947 is to amount to US\$200 million, while for the second half year of 1947 an amount of US\$227 million, according to Nanking, should be released.

The Provincial Bank of Taiwan announced new exchange rates as from Feb. 17: Gold: Taiwan \$11,500 per tael. US\$: Taiwan \$158, HK\$: Taiwan \$34. The official rate of exchange between the Taiwan \$ and CN\$ remains at CN\$35 for one Taiwan dollar. The Shanghai official exchange rates do not correspond to the Taiwan Bank official rates. Gold and foreign currencies when exchanged in Shanghai bring more CN\$ than in Taiwan.

The Financial Board of the Provisional Administration in Yenan announced with effect as from Feb. 17, a new exchange rate between the Chinese dollar in the Yenan controlled areas & the CN\$ of the Nanking Govt.: Yenan \$1 to equal CN\$2.8 (as against CN\$2.5 prior to Feb. 17, and CN\$2.3, in December 1946).

Important Changes in Nanking?

A reshuffle of Ministers and re-organisation of the Executive Yuan is expected shortly. Names for the post of a new Premier have been mentioned by Govt. sources. Simultaneously, the State Council of China and two other Yuenas will be re-organised within a few days.

The "Economic Supervisory Group", an organ of the State Police, has been empowered, under emergency wartime regulations, to conduct investigations in connection with all economic affairs of China. The Group may close offices, detain people and appears to be permitted, under authority of the Supreme National Defence Council, to mete out punishment to "economic offenders".

The Investigation Committee of the Control Yuan has no executive powers but inquires also into the business affairs of banks and merchant houses. Two other investigation teams, respectively of the Legislative Yuan and of the People's Political Council, operate under no clearly defined terms of reference.

Gold Sales in Shanghai

Central Bank of China sales of gold in the open market and to licenced goldsmiths amounted to about 470,000 ozs. for the month of January. The average open market sales price per oz. equalled about US\$52/53. These gold sales were conducted, like in previous months, ostensibly for the purpose of supporting the purchasing power of the CN\$, and, therefore, to counteract the influence of the policy of monetary inflation of the National Government.

Gold sales were particularly heavy in periods of apparent instability of the CN\$ rate in terms of foreign exchange. However, it was noted with surprise, when the slump of CN\$ set in after the announcement of the devaluation of the Chinese dollar in terms of export goods (Feb. 6), the Central Bank was not coming out with large gold offerings but permitted the debacle of the CN\$. It would have been naturally in the power of the Bank to intervene by selling a sufficient number of bars in the open market which practice, rather frequently resorted to in the past, may have helped to arrest the vehement upward movement of all round prices. The report, therefore, gained common credence that gold stocks of the Bank were now at a low ebb so that the Bank could not afford to lose too many bars in the open market. A less reliable report, however, explained that the Bank did not intervene on account of other considerations.

It must be borne in mind that theoretically the Central Bank can control the quotation of gold by selling or buying according to the technical money position. Similarly, the most important Chinese commodity, cotton yarn, is controlled by the National Govt., through its Development Textile Corp.; by contracting or expanding sales of yarn the price can be easily managed. However, the rapid progress of monetary inflation makes it impossible both for the gold and the yarn sales policy of the government to dump sufficient quantities on the markets; in other words, the bank note issue of the government is very much faster than the production of yarn by government and the replenishment of dwindling gold stocks of the Central Bank.

Depression in the Gold Market

Bullion dealers did not foresee the recent violent exchange developments in China which caused, at least for the time being, the suspension of gold shipments into China. Thus large quantities of gold in coins and bars depress the local and Macao markets. Approx. 170,000 taels are available locally for quick sale to the highest bidder. The slumping market caused the cancellation of many gold contracts which are now ready for shipment as the balance of previously ordered gold for Macao delivery. The gold importers to which amount have to be added c.i.f. and the importing bank's handling charges of at present abt. 5%; plus interest to be paid by those importers who bought on credit; plus several Macao dollars for the issue and handling of an import licence of gold. The closest calculation of a net gold c.i.f. price per tael would amount to abt. HK\$270. There is only one alternative: either the T.T. New York rate goes down or the local gold price goes up—it's like in an elevator.

The total amount of gold import licences issued by Macao amounted to 800,000 ozs.; a licence fee of Pataca 1 per ounce was charged by government. Hongkong issued gold import licences in transit for Macao covering less than 50% of the Portuguese licences.

Imports into Shanghai

Before the announcement of new foreign trade and exchange regulations on February 6, subsequently revoked on Feb. 17, importation of foreign goods into Shanghai was carried out in a very modest way by using the following methods:—

1. The importer (only if registered and properly licensed by the Import Control) provided his own exchange from exports which had more or less to cover his import exchange requirements.

2. Importers with very close connections, and supplying Govt. industries, obtained exchange for selected machinery and raw materials; usually official or semi-official organisations monopolise this sort of import trade.

3. Imports valued US\$2,000 or less could be shipped into China since an understanding between the Central Bank of China and the appointed exchange banks provided that import licences for certain goods (Import Schedule II) could be issued by the appointed banks. Permission to acquire exchange was usually given within one or two weeks. Importers split their orders into several times US\$2,000 lots, which were all separately packed and invoiced.

Demands for excess exchange allotment (over US\$2,000) have been actually submitted to the Import Control but so far no applications have been favourably decided. There is a pile of "pre-zero" applications (goods ordered before Nov. 17) which it will take several months to clear up.

A considerable number of foreign and Chinese importing firms have voluntarily closed shop, and many more are expected to go out of existence soon when they understand the position clearer after having waited in vain for import licences. Such shops and stores which depend on foreign supplies will also have to close down; i.e. foreign book-shops are compelled, after clearing up their stocks, to leave Shanghai.

Provided that a would-be importer can get hold of exportable cargo and sell it abroad, even at a slight loss, he could manage to keep his import business afloat. This inter-company trade balancing business will have to be developed if some semblance of import business, outside the "essential" goods category, is to be carried on. The small companies have hardly any chance but the old-established firms, with import and

export branches, who also have not to battle against remittance, Letter of Credit and other settlement issues, can keep on with this inter-company balancing import-export trade.

The appointed banks when opening L/C's usually require, from the less well established firms, 100% "margin".

In cases when the prospective importer of US\$2,000 worth of goods, upon application for an import licence from an appointed bank, is able to state that he has funds available abroad the procedure is relatively quick. However, imports valued at over US\$2,000 even when "funds available abroad" are not granted import licence by the Import Control. Thus importers of larger cargoes with funds abroad also had to split their shipments into lots of US\$2,000 each. The common way to remit CN\$ abroad (in order to accumulate foreign exchange funds for payment of imports) is by utilising the Native Bankers' Exchange where HK\$, £ and US\$ at the market rate are daily available.

The Trade of Hongkong

A large number of official and secret investigators, sent here by the Chinese authorities, have compiled in the past a number of reports on the state of smuggling between here and China. The recent arrival of the prominent politician and financier, Mr. Doo Yuel-seng, was also connected, at least by local rumour-mongers, with something like supervision and normalisation of the rather impressive extent of smuggling. The operations of smuggling combines in and from Macao has also not escaped the attention of some of the more enterprising investigators from Shanghai and Nanking.

In one report which we had the privilege to peruse we found a meticulous enumeration of all sea, land and air routes and methods which are currently so much in favour with the Chinese who are, as the saying goes, born traders, by hook or by crook. The report as referred to above stated e.g.: Smugglers by land are often backed by armed forces, some with support of officers of the Chinese Army, others operated by discharged Army men; professional smugglers and adventurers are in the minority. The railway is freely used for carrying illicit goods in and out of China. Highway routes are f.i. via Nantou, Taping or Sheklung to Canton; or via Shayuyung or Kweiyung to the upper East River. Smuggling by all kind of vessels, mostly junks, is often supported by discharged or still active Navy men but on the whole operated by strong gangs which have been "in the trade" for generations. Names of such gang leaders, only as far as we gathered from this report, cover two and half pages. Chungshan, Kongmoon and Macao are the principal sea smuggling centres. The report dealing with "smuggling by using civil and military aircraft" is a revelation, if true, of the fantastic degree of corruption prevalent in present-day China.

Hongkong Clearing House

The total bank clearings for the month of January amounted to \$442,070,008 representing an increase of 4.4% over the previous month (December clearing \$423,508,985, a 5.8% increase over November 1946).

US\$ Commercial Credits

Negotiations of US\$ commercial credits by the three local American banks while usually about US\$1 million per month climbed in January to US\$1½ million.

During recent months approx. US\$2-2½ million of commercial credits were opened per month by all local banks. ADD Exchange and Financial Markets ... (4)

Hongkong Dollar and Macao Pataca

The current open market rate for HK\$ in Macao is Patacas 94, i.e. HK\$ is discounted by about 6% as against the official rate. Most merchant business is done at the open market rate.

HK\$ has been selling since over 8 months at a discount in Macao which development was caused by the considerable extent of Hongkong's recurrent unfavourable trade with the Portuguese Colony.

Unofficial Exchange Rates in Hongkong

in HK\$ (Selling rates)						
CN\$						
Gold per (per 100,000) US\$						
Feb.	tael	spot	forward	notes	T.T.	£
10	318½	44	38½	4.92	5.20	15.10
11	314½	42	34	5.00	5.22	10.05
12	307½	52	40	4.94	5.19	15.00
13	301	60	37	4.91	5.21	15.10
14	294½	48½	37	4.93	5.18	15.15
15	293½	52	42	4.93	5.18	15.20

Unofficial Exchange Rates in Shanghai

		US\$		HK\$	
		Note	Note	Note	£
Feb.	Gold per oz.				
10	665,000	12,500	2,500	38,000	
11	720,000	14,000	3,000	44,000	
12	750,000	16,000	3,200	52,000	
13	650,000	14,000	2,700	46,000	
14	700,000	14,000	2,900	47,000	
15	640,000	14,000	2,800	47,000	

HONGKONG STOCKS & SHARES

PREWAR QUOTATIONS AND DIVIDENDS

Prewar Quotation (December 1941)				Prewar Quotation (December 1941)			
Name of Stock	Par Value	1940 Dividend	Capital Issued (No. of Shares)	Name of Stock	Par Value	1940 Dividend	Capital Issued (No. of Shares)
Government Loan—4% (1933/1953)	104½	100	Paid up to date (1946) \$4,838,000	H.K. Tramways	\$18.00	\$5	650,000
Government Loan—3½%	98	100	— do — \$14,000,000 ('34) \$11,790,000 ('40)	H.K. Electric	\$22.25	\$10	1,800,000
H.K. Banks	\$1,445	\$125	£5	Macao Electric (Old)	\$18.25	\$10	\$2.00 (O) 90,000 (O)
Union Insurances	\$450	£10	25/-1940 135,000 at £6 (25/- paid on 10.6.1946)	Macao Electric (New)	\$18.25	\$10	\$1.00 (N) 43,938 (N)
Canton Insurances	\$250	\$50	\$12	China Lights (Old)	\$6.90	\$3	50 c. 3,000,000
H.K. Fires	\$200	\$50	\$11	H.K. Telephones (Old)	\$25.75	\$10	\$1.40 (O) 500,000 (O)
China Underwriters	50 c.	\$10	Nil	H.K. Telephones (New)	\$9.50	\$2.50	.35 (N) 250,000 (N)
Wharves	\$103	\$50	\$7	Cements	\$18.30	\$10	\$2.00 195,494
Docks	\$19	\$10	60 c. "Old"	H.K. Rope Manufactg.	\$11.50	\$10	\$1.00 200,000
China Providents	\$7.80	\$5	75 c.	Dairy Farms	\$19.00	\$7.50	\$1.50 293,335
Douglas Steamships	\$120	\$50	\$7.50	A. S. Watsons	\$14.00	\$10	\$1.40 150,000
Steamboats	\$11	\$15	Nil	Lane Crawfords	\$8	\$10	80 c. 75,000
Hongkong Hotels	\$4.25	\$7.50	25 c.	Wm. Powells	\$2.40	\$2	30 c. 42,000
H.K. Lands	\$38.15	\$25	\$2	Sinceres Co.	\$3.70	\$10	Nil 1,000,000
Humphreys Estates	\$8.50	\$10	70 c.	China Emporiums	\$9	\$10	80 c. 200,000
H.K. Realty & Trusts	\$4.50	\$10	30 c.	"Star" Ferries	\$55	\$10	\$4.50 80,000
				Yaumati Ferries	\$23.75	\$10	\$2.40 84,000

Hongkong Stock & Share Business

The market generally continued steady and trading was confined to very narrow movements. Operators are still leaning towards caution rather than indulge in bearishness.

Hongkong Banks led the list of recoveries on the announcement of a £3 dividend for 1946. There is no doubt of the considerable confidence the Corporation has created for investors in this market, by the declaration of this dividend. At the last close of \$1,480 the shares climbed rapidly to \$1,550 buyers. With no sellers in evidence buyers have also shown preference for Cantons and Hongkong Fires by taking up shares at the enhanced rates of \$360 and \$255 respectively. Unions have also advanced to \$670 sales. Docks and Waterboats are included in this section. Steady buyers for these elusive scrips have resulted in \$184 for the former and \$40 for the latter.

Among the losers, popular shares of the Public Utilities came in for a bit of a knock from some estates being liquidated. Trams took up a lot of scrips to advance to \$32 only having to close at \$31. Electrics have dropped to \$32 at which rate they found buyers. China Lights were not able to maintain themselves at the close of last week's rate; persistent sellers have resulted in the rate dropping to \$10.20.

Telephones "Old" fluctuated between \$36½ and \$35 to close buyers again at \$36.

Among the other shares, Hotels were subject to some selling pressure which caused buyers to retellate at \$184.

Hongkong and Shanghai Banking Corp.

The share register of the Bank was opened for transfer of shares on Feb. 11. The dividend for 1946 has been announced by the Bank to amount to £3 per share as against £5 in previous years. There are 125,000 shares of HK\$125 each fully paid; the dividend payment by the Bank will therefore absorb £375,000. A balance of \$1,841,861 will be carried forward. An amount of £1,125,000 has been transferred from sterling reserve fund to provision for contingencies in respect of war losses.

New Application for Seat at the Exchange

Mr. Harry Kow has filed an application with the Sharebrokers Association for the acquisition of a seat at the Stock Exchange.

HONGKONG STOCK EXCHANGE

Quotations on February 15, 1947.

Stock	Business done during the week or Last Sale		
	Buyers	Sellers	Last Sale
H.K. Govt. Loans			
4% Loan	106	—	106
3½% Loan (1934)	103	—	102½
3½% Loan (1940)	103	—	102½
Banks			
H.K. Bank	1,520	—	1,475/1,510
H.K. Bank (Lon. Reg.)	—	—	£94½
Mercantile Bk. A. & B.	£23½	—	—
Bank of East Asia	150	—	—
Insurances			
Canton Ins.	345	—	—
Union Ins.	—	680	670
China Underwriters	—	1	1
H.K. Fire Ins.	247½	—	247½/252½
Shipping			
Douglases	—	200	—
H.K. Steamboats	—	12	—
Indo Chinas (Pref.)	—	120	—
Indo Chinas (Def.)	—	250	—
Shells (Bearer) s.95/7½	—	—	—
Union Waterboats	38	—	35½/40
Docks, Wharves, Godowns, etc.			
H.K. & K. Wharves	140	145	147½/140
H.K. Docks	18	18½	18
Providents	—	14½	14
Mining			
Raubs	—	4.60	—
H.K. Mines	3 c.	—	3 c.

Canadian Trade with Hongkong

Canada's trade with Hongkong has experienced much progress compared with previous years which is largely due to the great advance made by Canadian industries during the war years and the export consciousness developed by the Canadian Govt. and merchants. According to Canadian Govt. trade returns for September 1946 goods valued at Canadian dollars 265,625 were shipped to Hongkong. (Canadian and U.S. dollars are of equal value).

Our main imports from Canada were building materials; Douglas fir and hemlock board planks were valued at over C.\$60,000. Other important shipments from Canada comprised: medicines valued at C.\$20,000, 4,300 barrels of flour and wheat \$17,000, 3,000 cwt. oatmeal & rolled oats \$15,800, sardines and other little fish in oil \$17,000, paints \$12,500, fountain pens, pencils \$13,200.

Gin and whisky imports from Canada were rather insignificant. Leather and shoes valued \$13,600. Some milk tins were also shipped, a small quantity of newsprint (incidentally the Canadian export article which is most desired here and in China) 7 motor cars and 8 trucks, some radios and wireless apparatus. Canadian shipments of dyes, drugs, industrial chemicals should be of great interest in Hongkong but so far only small quantities have arrived here.

Trade Between Hongkong and Korea

Trade with Korea remains on a government-to-government basis as long as Koreans are regarded as enemy nationals, and trading therefore cannot yet be resumed between private merchants both in Hongkong and in Seoul (capital of U.S. controlled Southern Korea). The Korean Trade Mission which studied mutual trade prospects some time ago when staying in the Colony for about two weeks (compare our issue of Jan. 1, page 2) did not arrive at any optimistic appraisal of a revival of trade between Hongkong and Southern Korea. The exchange of goods remains the business of the Hongkong Govt., on one hand, and the Korean Military Administration (under SCAP, Tokyo), on the other; all private traders can only conduct exports and imports through the respective administrations. As far as Hongkong is concerned the Govt. Dept. of Supplies, Trade & Industry is the competent authority to deal with Korean exports and imports until the return of normal conditions.

The following exports from Hongkong to Southern Korea have been regarded by the Korean Trade Mission as of possible interest: newsprint, salt, cement, raw rubber and coal. Southern Korea could deliver, in exchange for Hongkong exports, the following: Fish, canned & dried; silk, raw & waste; ginseng; minerals & ores (wolfram ore, graphite, mica, molybdenum etc.).

Some local Chinese merchants, quite enthusiastic about the profits to be derived from trading with Korea, have prepared individual goods exchanges; the charter of ships for transporting goods from Hongkong to Korea and loading there produce for sale in Far Eastern markets were contemplated. Failing the necessary cooperation by the local authorities, some merchants may avail themselves of the facilities which Macao offers; Portugal's neutrality during the war may obviate all measures which have to be carried out by allied countries with regard to the provisions of "trading with the enemy".

Chinese Raw Materials in London

The import position of Chinese raw materials, as far as of interest in the United Kingdom, and British Board of Trade regulations regarding Bristles, Tung Oil, Gail Nuts, Hides & Skins, Silk, Antimony and Tungsten are as follows:

Bristles

Before the war the United Kingdom imported bristles chiefly from China, but smaller quantities were also obtained from India, U.S.S.R., U.S.A., Poland, Germany and other countries. Supplies are now being obtained from some of these sources, but on a reduced scale, and the supply position is therefore difficult.

All supplies for U.K. consumption are purchased by the Director of Sundry Materials (Board of Trade). Since January 1, 1946, private importers have been able to apply for a licence to acquire bristles from abroad, but must submit all offers to the D.S.M. (Directorate of Sundry Materials) who purchases at cost price plus a fixed margin of profit. But if the Directorate is not interested in purchasing it will consider granting a "release" to the importer, enabling him to sell the material outside the United Kingdom.

All sales of bristles in the U.K. require a disposal licence obtainable from the Board of Trade. The D.S.M. sells in bulk to merchants who are holders of disposal licences, at prices fixed by the Board of Trade, less merchants' commission. Holders of disposal licences are authorised to sell material from stock—

- (i) to brush makers, up to the quantity authorised in their licences to acquire and consume,
- (ii) to other merchants, who are holders of disposal licences, or,
- (iii) for export, in which case an export licence must also be obtained.

According to the prevailing supply situation certain types of bristles are reserved for home consumption and may not be exported. Merchants are informed of such prohibitions when making purchases from D.S.M.

Manufacturers need licences to consume any bristles used for brush making (even from their own stocks), such licences being obtainable from the Board of Trade.

Persons holding licences for the acquisition or disposal of bristles may import bristles on private account, subject to the condition that importers take from Government stock 25 per cent. of the total value of their requirements. Import licences are needed. Brushmakers are free, with two minor exceptions, to use any type and quantity of bristles in the manufacture of any type of brush.

Tung Oil

Tung Oil is chiefly imported by U.K. from China. (Oiticica Oil is obtainable only from Brazil, Sillingia Oil from Japan, Castor Oil and Castor Beans mainly from India). The Board of Trade is the sole buyer of Tung Oil for consumption in the United Kingdom. Licences are issued to merchants by the Board of Trade, authorising them to acquire these materials outside the U.K., and to dispose abroad any quantities not required

Lands, Hotels & Bldgs.			
H. & S. Hotels	18.40	—	18.70/18½
H.K. Lands	80	81	80½
H.K. Lands 4% Debentures	105	—	—
Humphreys	—	18½	—
H.K. Realities	16	16½	—
Chinese Estates	155	—	—
Public Utilities			
H.K. Tramways	31½	31½	32/31½
Peak Trams (Old)	—	11	—
Peak Trams (New)	—	5	—
Star Ferries	69	—	70/70½
Yau-mat Ferry	23½	—	—
China Lights (Old)	10.20	10.30	10.50/10½
China Lights (New)	6	—	6.10/6.20
H.K. Electric	32½	32½	33½/32½
Macao Electric	—	18	—
Sandakan Lights	—	5	—
Telephones (Old)	35½	36	36½/35½
Telephones (New)	18½	—	18½
Industrials			
Canton Ices	2.65	—	—
Cements	15	15.40	15½/15
H.K. Ropes	—	—	10
Stores, &c.			
Dairy Farms	33½	—	33½
Watsons	—	—	24½
Lane, Crawford	24½	—	25
Sinceres	6½	—	—
China Emporium	5½	—	5½
Sun Co. Ltd.	—	—	—
Kwong Sang Hong	190	—	—
Wing On (H.K.)	84	—	—
Wm. Powell, Ltd.	—	3	—
Miscellaneous			
Entertainments	—	—	26½
Constructions (Old)	—	—	4½
Vibro Piling	3½	—	—

by the Board of Trade. All offers received must, however, first be referred to the Directorate of Sundry Materials, Board of Trade.

Licences are needed to acquire and dispose, as well as to treat, use and consume Drying Oils in the U.K. Such licences are issued by the Directorate of Paint Materials, Board of Trade. Users must nominate a supplier on their applications to acquire, and prices are fixed by the Board.

Exports from the U.K. are subject to export licences, which are not at present being granted.

Gall Nuts

Turkey and China are the United Kingdom's main sources of supply. Syria is also a producer of Gall Nuts. Gall Nuts are chiefly used for the manufacture of gallic, pyrogallic and tannic acids, for inks, pharmaceutical goods and dyeing.

No statutory control is in force, and since July, 1946, all importation has been on private account under Open General Licence. Export licences are required.

Hides & Skins

The International Hides, Skins and Leather Committee in Washington, which formerly allocated available world supplies of hides, skins and leather among the major importing (consumer) countries at agreed ceiling prices, was terminated on June 26, 1946, by common consent of member Governments. The conditions of a free market now obtain in the overseas supplying countries, but United Kingdom imports remain subject to regulation by the Board of Trade.

The leather industry's most important raw material consists of cattle hides. Normally, about two-thirds of the U.K.'s requirements are imported, the remainder coming from domestic sources.

The greater part of the industry's raw materials are purchased through the normal trade channels by the Leather Control on Government account. Supplies are allocated and sold by the Control to the tanners and dressers basically in proportion to their pre-war production and at prices enabling the producers to maintain the stabilised price for finished leather.

Silk

Before the war more than 80 per cent. of the world supply of raw silk was produced in Japan and the balance mainly in China and Italy. There is no production of raw silk on a commercial scale in the United Kingdom, consequently this country normally imports considerable quantities of both raw and waste silk for its silk throwing and spinning industries.

During the war the United Kingdom was cut off from its main sources of supply, and it was, therefore, necessary to restrict the use of silk to essential military purposes, such as parachutes and cartridge bag cloth. A Silk Control was established.

Now that the world supply position is easier, all U.K. purchases of raw and waste silk overseas are being made on private account, with the exception only of supplies from those areas (such as Japan) with which private trade is not yet permitted. In these cases purchase is undertaken by the Silk Control.

Large Government-owned stocks of certain qualities of silk are now being disposed of by the Silk Control, so that at present imports of raw silk are being restricted for each importing firm to a weight equivalent to not more than 25 per cent. of actual deliveries of silk to that firm from Control stocks. No such quota restrictions apply to imports of high-grade waste silk. On the other hand, imports of low-grade waste silk are not at present permitted (apart from certain special types, such as Tussah) in view of the Control's very large stocks. Import licences are required for raw and waste silk.

Licences are needed for acquisition, use and disposal of raw and waste silk, silk noils and yarns. A condition of such licences is that all U.K. users of raw and/or waste silk shall give a guarantee to the Silk Control that at least 66.2/3 per cent. by weight of all silk consumed (whether taken from Control stocks or imported on private account) will be used for the production of manufactured goods for export. The balance may go to either the home or export market.

Quarterly statistical returns of production, as between home and export destination, are required to be made by all silk users. In addition, holders of raw materials are required to furnish monthly statements to the Control of stocks, consumption, etc.

Export licences are required for the export of raw silk, waste silk, silk noils and yarns made therefrom.

Antimony

Antimony ore is mainly produced in China, Mexico and Bolivia, with smaller quantities from South Africa. Antimony metal is smelted in the U.K. from imported ores. Its main uses are for alloying with lead and tin for use in electric storage battery plates, cable covering, type metal, lead bullet cores, bearing metals, etc.; and for antimony oxides and sulphides, used in paint pigments, matches and vulcanising rubber.

Dealings in antimony are on private account through normal trade channels. Import & export licences and monthly stock returns are required.

Tungsten Ores

These include Wolfram, Scheelite and other ores, concentrates and residues containing tungsten. They are used for the manufacture of ferro-tungsten, tungsten metal (for electrical and other purposes) and tungsten carbide (for hard metal dies and tool-tips).

The world's chief producers are China, Burma, U.S.A., Bolivia and Portugal. United Kingdom supplies are normally obtained from Malaya, Australia, etc. (There is a small production in Cornwall).

Imports are on private account, subject to import licence. The Ministry of Supply hold stocks from which consumers' requirements may be met.

No licences are required for the acquisition, use, or disposal of these materials and, with the exception of residues, no licence is required for export. No statutory control orders are now in force. Returns of stocks are required by the Board of Trade.

Chinese Produce in New York

Lamb & Rabbit Skins—The market may stabilize later, but for the present the fur market is extremely unstable, prices have fallen and sellers are asking too much in comparison with U.S. price trends.

Feathers—(duck and goose, for bedding) —A highly competitive market; synthetic competitive articles are relatively plentiful, quality of imports has scared off buyers, and quantities have been irregular and un dependable. The same is true of fancy feathers, imported from China before the war but subject to a demand that varies with the vagaries of women's styles.

Rhubarb—The price of this Chinese product has been subject to great speculation. To consumers, a price of US\$1.40 to US\$1.45 per pound is quoted, f.o.b. New York. The price trend is downward.

Musk—Subject to increasing competition from xylene, synthetic musk, although as much as US\$85 per ounce is being paid for the dry pod, subject to inspection of the actual merchandise which is being flown out of China. The lowest quotation from China recently has been \$78 per ounce, f.o.b. sea or airports in China.

Tung Oil—A standard product, selling in the United States for 38 3/8 to 39 1/2 cents per pound, compared with a suggested Chinese asking price of 40 cents per pound. Large supplies available.

Bristles—Dealers are not presently interested in imports, since the U.S. government surplus is being disposed of as of Jan. 6, and they buy more cheaply than abroad.

Beeswax—Only crude, bleachable wax is saleable. From four different sources were obtained four different price ranges, from 48 to 54 cents per pound delivered New York, to 50-53 cents per pound f.o.b. African ports. One leading buyer said he was waiting until the price returned to a normal level somewhere between 20 and 30 cents before handling beeswax.

Hog casings—Few dealers are familiar with this item as imported from China, Europe grades vary widely, actual inspection of merchandise is required.

Gall Nuts—Speculators forced prices of gall nuts as high as 46 cents per pound in New York for average quality right after the war. Recently the price has dropped to an average of 20 cents per pound in New York, indicating quite low prices to Chinese when the freight charges of US\$40 per ton, insurance at US\$1.03 per US\$100 value, and other costs are considered.

Silks—Little Chinese silk has been imported, in comparison with the quantities of Japanese silk being sold by the government. The prices fixed by the U.S. government govern prices of Chinese silk.

CHINA PRODUCE IN NEW YORK

Quotations as on February 15:

	US\$
CASSIA OIL, per lb. F.O.B. New York	8.50/8.60
ANISEED OIL, " "	1.15 to 1.20
ANTIMONY, American, 99.3/2 percent grade in bulk of carload lots, F.O.B. Texas	0.28-1/4
BRISTLES, Regular Assortments	4.00
Chungking, " "	2.92/95
Shanghai, " "	2.10
Tientsin, " "	5.40
TUNG OIL, in tank cars, per lb. F.O.B. New York	0.87-8/4
SANDALWOOD OIL, in drums (depending on sellers quantity & quality)	18.00 to 21.00

Chinese Wood Oil

The foreign exchange value of wood (tung) oil for China has been recognised in pre-war years and efforts were made by the Chinese Govt. to institute an export monopoly for tung oil. The China Vegetable Oil Co., a Govt. organisation, was supposed to handle centralised production and marketing of tung oil. However, the private trader is still very much alive in this line and only approx. half of Chinese tung oil exports are handled by the Chinese Govt.

Exports in October 1946 reached a very high figure of 4,200 tons but in November and December considerable drops were recorded. The monthly average of tung oil exports was 3,000 tons. For January 1947 total exports aggregated 3,200 tons, about half having been shipped from Shanghai and half from Hongkong. The difficulty of moving stocks from producing to distributing areas, the inflated costs of transportation and handling, and the over rising costs of production make the tung oil industry a very trying proposition.

The China Vegetable Oil Co. believes that the total production of tung oil in 1947 will come up to 85,000 tons, that is a monthly average of about 7,000 tons. Deducting domestic demand and discounting somewhat this estimate, one comes to an approximate export figure of 3,000 tons per month, or 36,000 tons for the year of 1947. This compares with a pre-war average of 100,000 tons for tung oil exports and probably 130,000 tons total production. Foreign estimates of Chinese tung oil production agree that the best results for 1947 and 1948 cannot exceed 60,000 tons of oil production. Only after the 1946 planted seedlings will bear fruit, i.e. not before 1948, can an increase in production, and exports, be hoped for.

For this and the next year China may expect to obtain about US\$ 40 million in foreign exchange from tung oil exports. How much of this amount the Govt. will get and what slice private business interests will succeed in pocket is an open question. The world market price is not favourable for tung oil exports.

The profit margin is very narrow. For the China Vegetable Oil Co. it does not make much difference at what price tung oil is sold abroad as long as US\$ in New York are obtained. But from the point of view of the private tung oil exporter it will be decisive to profit from the open market foreign exchange rate; if export bills have to be surrendered to the Central Bank the tung oil exporter will not be able to carry on his trade, and will have, like so many other exporters of China produce, to sell to the Govt. at a price which will allow him a small profit in C.N.S. It is, however, supposed that private traders are basing their tung oil export business on the high exchange rate of US\$ in the free New York market.

The U.S. demand for tung oil has been abnormally large during recent months which is attributed to the failure of linseed crops and the expansion of the paint and varnish industry. The surprising thing about the extraordinary U.S. demand is the fact that America produces now enormous quantities of synthetic paints. The synthetic oil base, which serves as a vehicle for the pigments of paints, is produced by many American industries under various trade names.

The success of Goodyear's Pliolite S5 in particular should have tended to decrease the demand for tung oil in New York. Persian and South American tung oil exports to U.S. have also experienced record results during recent months.

The Chinese tung oil production is now centered in Hunan, Hupeh and Szechuan, with Kwangtung making good progress in promoting tung tree plantations. Against 1940, almost half of all tung trees of China were cut down during the war years. With prices for tung oil being what they are, there is little incentive, from a non-Govt. point of view, to resume tung oil production; while in pre-war days one picul of tung oil bought about 4 piculs of rice, to-day only 1.7 to at most 2 piculs of rice can be exchanged. The future of tung oil production in China rests on the expansion of Govt. control of production at home and monopoly sales abroad.

Rubber Plantation Companies

Further to rubber companies' reports which were published in our issues of Jan. 15 (page 26) & Jan. 20 (page 58), the following two reports have been compiled. The secretaries and general managers of the estates are Messrs. J. A. Wattie & Co. Ltd., who are taking the necessary steps, together with the agents of other rubber companies, to get all rubber shares quoted at the Hongkong Stock Exchange.

THE SAMAGAGA RUBBER CO. LTD.

Areas	Destroyed during		
	1941 Acres	occupation Acres	1946 Acres
Mature Rubber	1,106	1	1,105
Immature Rubber	124	98	26
Total Rubber	1,230	99	1,131
Reserve land			
Buildings, etc	67		67
Cut out during occupation			99
	1,297		1,297

51 acres of the area destroyed during the occupation are being planted up now and the rest will be replanted as soon as possible. The 26 acres of immature rubber left are now tappable and should give very high yields.

Machinery. The machinery and factory are in excellent condition.

Buildings. The Manager's house was badly looted but is being repaired and will be completed during 1947. The other buildings are in good order. A new coolie line will have to be built in the near future.

Labour. There is ample labour at the moment and the Estate is most fortunate in this.

Manager. Mr. L. Lockyear, who has managed the Estate for many years, has just been moved to manage a larger property and his place has been taken by Mr. P. G. Jones.

General. The Visiting Agent says that this is an excellent property giving high yields and is an inexpensive producer. He anticipates that within the next six months the whole Estate will be in the pre-war state of maintenance.

THE CHEMOR UNITED RUBBER CO., LTD.

Areas	Destroyed during		
	1941 Acres	occupation Acres	1946 Acres
Mature Rubber	1,477	231	1,246
Immature Rubber	438	204	234
Total rubber	1,915	435	1,480
Cut out during occupation			435
Reserve land			
Buildings, etc.	43		43
	1,958		1,958

The Company is unfortunate in that 435 acres have been lost during the occupation. 171 acres of the immature rubber is now tappable which brings the mature area up to 1,417 acres. It is intended to replant about 380 acres on Chemor Estate as soon as possible. All of the Plantations have been cleared up.

Roads, Paths & Bridges. All roads, drains and bridges with the exception of one bridge have been repaired and are in good order.

Machinery. The machinery is running satisfactorily on Chemor Estate and the machinery on Batu Dua Estate is being repaired whilst the looted engine has been replaced. In the meantime, the output on Batu Dua Estate is being repaired whilst the looted engine has been replaced. In the meantime, the output on Batu Dua is being milled by hand. More coagulating tanks are required and will be purchased.

Buildings. The Manager's house on Chemor was burnt down and completely destroyed in the early days of the occupation. The Manager is at present living in Ipoh and the building of a new house has been deferred for the time being, although a new house will have to be built eventually. All the other buildings on Chemor Estate are in good order but a further set of coolie lines will soon be required. Except for the Packing Shed which was looted and needs repairs the buildings on Batu Dua Estate are in order.

Labour. The Estates are fortunate in that there is ample labour available. There is, however, a shortage of tappers and steps are being taken to train some field labourers as tappers.

Manager. Mr. A. E. L. Smith, who was Manager of Chemor Estate before the war, is back again and is now managing Batu Dua Estate as well. Thus all the Company's properties are under one Manager.

General. The Visiting Agent in his report on Chemor says the old rubber on this Estate looks very well indeed and, the young rubber generally, taken all over is rather better than the average for age. The Estates are in production and every effort is being made to increase the outputs.

AVIATION NOTES

HONGKONG AVIATION RETURNS

The following are aviation figures for the month of January 1947:—

	In	Out	Total
Passengers	1,381	991	2,372
Freight	16,705 kgs.	14,592 kgs.	31,297 kgs.
Mail	6,247 kgs.	3,359 kgs.	9,606 kgs.

A total of 172 Civil Aircraft arrived here during January.

The reduction in the passenger total is due to the suspension by order of the Chinese Ministry of Communications of the two Chinese companies passenger services for the first week of the month and to the suspension of F.E.A.T.I. services from 15th January.

On the 2nd February Air Marshal Sir John Baldwin and Mr. Charles North of the Ministry of Civil Aviation arrived in Hong Kong en route to Nanking where negotiations for a bi-lateral agreement between the Government of the Republic of China and the Government of the United Kingdom are now in progress. The mission to Nanking also includes Mr. A. J. B. Moss, Director of Air Services, Hongkong, and Mr. John Galpin, Far East Representative of B.O.A.C.

The important British charter company "Skyways Ltd." operated one charter flight from London with a cargo of gold bullion. On its return journey the aircraft, a British Lancastrian, reached London 62 hours after leaving Hong Kong. Another aircraft of this company is expected shortly.

Chinese Civil Aeronautic Administration

Following the series of aviation disasters suffered by Chinese civil aircraft the Chinese Govt. decided to establish a Civil Aeronautics Administration under the directorship of Mr. Tai An-kuo. Mr. Tai, U.S.-trained aviation

expert of the Ministry of Communications, was previously assistant CO of the Supply Dept. of the Chinese Air Force. The new C.A.A. has taken over from the Navigation & Civil Aviation Dept., Ministry of Communications, which previously, under Minister Yu Ta-wei, was responsible for observation and enforcement of civil aviation regulations. C.A.A. is divided into 6 departments, served by a staff of 200 men. Its duties comprise: enforcement of civil aviation laws, supervision of safety regulations, pilot training, air routes, construction and meteorology.

At present only two civil lines operate in China (CNAC, CATC) with the Chinese Air Force (CAF) taking part in non-schedule commercial flights. Every aviation company operates its own weather station and there is little, if any, liaison maintained.

An aviation investigation carried out by the People's Political Council, Nanking, resulted in a long report which was regarded as a damaging document for the management of the civil lines; but the CAF also came in for censure. The PPC-report, inter alia, emphasised: (1) improper aviation equipment by the civil airlines; (2) inefficient management of CNAC & ATC; (3) considerable corruption and delinquency ("aviation personnel are smuggling and neglecting their duties"); (4) necessity to suspend services in bad weather; (5) necessity to bar from operations out-dated planes; (6) necessity to establish more airports and weather stations; (7) necessity for cooperation between civil lines and CAF by mutual permission to use each other's fields.

Chinese Aviation Plans

Two civil aviation lines will start sometime during Spring four international regular air routes provided that agreements on air transport questions can be solved in a mutually acceptable and reciprocal way. The first route will connect Shanghai via Guam-Wake Is.-San Francisco with New York; the second route will connect Shanghai via Canton-Hongkong-Hanoi-Bangkok-Calcutta-Teheran-Athens-Rome with Paris; the third route is to connect Shanghai via Amoy-Hongkong with Manila; and the fourth route is to connect Shanghai via Canton-Hongkong-Hanoi with Bangkok.

Sea Communications of Hongkong

The following 20 steamship companies and agencies are currently operating regular ocean going ships between Hongkong and world ports:

American President Lines:

1. To U.S. Pacific Coast.
2. To U.S. Atlantic Ports (via Panama Canal).
3. To U.S. Atlantic Ports (via Suez, Mediterranean).

The Bank Line (China) Ltd.:

1. Bank Line-American & Oriental Line (U.S. Atlantic Ports via Suez).
2. Oriental-African Line (to South Africa).
3. Ellerman Line (to Europe & U.K.).
4. Klavens Line (U.S. Pacific Coast and Canada West Coast).

Butterfield & Swire:

1. China Navigation Co. Ltd. (Straits—China Coast; Canton River).
2. Blue Funnel Line (to Europe & U.K.).
3. Australian-Oriental Line Ltd. (to Australian Ports).

De La Rama S.N. Co. Inc.:

- The De La Rama Lines (Philippines-China Ports; to U.S. Pacific and Atlantic Ports).

Dodwell & Co. Ltd.:

1. Barber-Wilhelmsen Line (to Pacific and Atlantic).
2. Dodwell-Castle Line (to U.K.).

Douglas Lapraik & Co.:

Douglass S.S. Co. Ltd. (China Coast).

East Asiatic Co. Ltd. of Copenhagen:

1. To European Ports (via Suez).
2. To U.S. Pacific Ports.
3. Straits—China Coast.

Everett S.S. Corporation:

1. American Mail Line (to U.S. Pacific Coast).
2. Everett Orient Line (Manila—China Sea—Straits).
3. Isbrandtsen Co. Inc. (to U.S. Atlantic Ports via Indian Ocean, Mediterranean).

Gilman & Co.:

The Swedish East Asiatic Co. Ltd. (to European Ports via Suez, Mediterranean).

Ho Hong Co. Ltd.:

Ho Hong Steamship Co. Ltd. (Straits—China Ports).

Jardine, Matheson & Co. Ltd.:

1. Glen Line Ltd. (to Europe and U.K.)
2. Indo-China S.N. Co. Ltd. (India—Straits—East Indies—Japan—China Ports).
3. Pacific Transport Lines Inc. (to U.S. Pacific Coast).
4. Prince Line (Straits—U.S. Pacific Coast, and U.S. Atlantic Ports via Panama Canal).
5. Australia—China Line (to Australia).
6. Western Canada S.S. Co. Ltd. (to Canada).

Java-China-Japan Lijn N.V.:

1. J.C.J. Lijn (East Indies—China Coast).
2. Royal Packet Navigation Co. Ltd. (East Indies—China Coast; China via Suez—Atlantic to South America).
3. Silver Line Ltd. (China via Suez to U.S. Atlantic Ports).

4. Holland—East Asia Line (China via Suez to European Ports).

Jebsen & Co.:

Maersk Line (to U.S. Pacific and, via Panama Canal, to Atlantic Ports).

W. R. Loxley & Co. Ltd.:

Ben Line Steamers Ltd. (via Suez to U.K. and European Ports).

Mackinnon, Mackenzie & Co.:

1. P. & O. S.N. Co. (via Suez to U.K.).
2. British India S.N. Co. Ltd. (China—Straits, India).
3. Eastern & Australian S.N. Co. Ltd. (to Australia).

Compagnie des Messageries Maritimes:

(China—France).

Mollers' Ltd.:

Pacific Orient Express Line (to U.S. Pacific Coast).

Thoresen & Co. Ltd.:

1. Wilh. Wilhelmsen (via Suez to Europe).
2. Fernline (via Panama to U.S. Atlantic Ports).
3. China—Siam Line (Straits—China).

Wallem & Co.:

1. Ivaran Lines (Far Eastern Service) (via Suez to U.S. Atlantic Ports).
 2. Stan Line (to Canada & U.S. West Coast).
- (Occasionally USSR ships to USSR Pacific and Black Sea Ports).

United States Lines Co.:

1. Pacific Far East Line Inc. (to U.S. Pacific Coast).
2. American Pioneer Line (via Panama to U.S. Atlantic Ports).

Shipping Companies in Hongkong

There were 67 shipping companies registered in Hongkong at the middle of 1946. In addition to the shipping companies as enumerated below, the CNRRA Waterway Transport operates 4 river vessels (Wan Li, Lily, Wan Bing and Wan Hung) from Hongkong. The following shipping companies operate only river vessels or ships in the coastal vicinity (to Macao, Kongmoon etc.):

Chin Seng Hong ("Mui Hock"), Fook Hing Hong ("Puto", "Ngo Wei", "Yue Siu"), King Tai Hong ("Merry Moller"), Kung On Hong ("Crisia", "Kung Ping Shipping Co. ("Kwai Wah"), Lee Hung Tung ("Chai Seng"), Pacific Trading Co. ("Fook Hoi"), R. Basa ("Mactan"), Sang Cheong Co. ("Kwong Tung"), "Kwong Sai"), Shun Cheong S.N. Co. ("Tainoshan"), "Taikinsan"), Tung On S.S. Co. ("Sai On"; recently victim of a conflagration and out of operation), Wo Cheung Fat ("Kwan Lui"), Wo Hing S.S. Co. ("Kwong Fook Cheung").

Following is a list of all European and Chinese shipping companies listed in Hongkong as on January 16, 1947:

American President Lines; Asiatic Petroleum Co., Ltd.; Ban Thong Hong; Bank Line (China) Ltd.; Butterfield & Swire; China Merchants S.N. Co.; China Steamship Co., Ltd.; Chin Seng Hong; Chee Shing Co.; Canadian Pacific Steamship; Dowell & Co., Ltd.; Douglas Steamship Co.; De La Rama Steamship Co., Inc.; Everett S/S Corporation; East Asiatic Co., Ltd.; Fook Hing Hong; Far East Shipping Co.; Grimbale & Co.; Gibb Livingston & Co.; Gilman & Co.; A. E. Gerondal; Ho Hong Co., Ltd.; H. Nolasco & Co.; Jebsen & Co.; Jardine, Matheson & Co.; Java-China-Japan Lijn; Job-shun Shipping Co.; John Manners & Co.; King Tai Hong; Kwang Sun Shipping Co.; Kwong Fat Lee; Kung On Hong; Kwong Nam Shipping Co.; Kung Ping Shipping Co.; Kin Tye Loong; Karsten, Larssen & Co.; Lee Hung Tung; Lee Yuen Cheung; Ming Sang Shipping Co.; Messageries Maritimes; Mollers (H.K.) Ltd.; Mackinnon Mackenzie & Co.; M. Nemazee; Pacific Trading Co.; R. Basa; Rymo Shipping Co.; South China S/S Co.; Sang Cheong Co.; Shiu On S/S Co.; Shun Cheong S.N. Co., Ltd.; Standard-Vacuum Oil Co.; See Wai & Co.; The Texas Co.; Tung On S/S Co.; Tung Hing Hong; Trans-Ocean Trading Co.; Thoresen & Co.; United States Lines Co.; Wai Tong Hong; Wallem & Co.; W. R. Loxley & Co.; Williamson & Co.; Wang Kee & Co.; Wo Cheung Fat Shipping & Trading Co.; Wo Hing S/S Co.; Wo Fat Sing; Yuen On & Co.

Hongkong's Shipping

Shipping entered and cleared during the month of January totalled 1,329,595 tons; ocean going ships' tonnage aggregated 1,225,818. The total passenger number arriving and departing was 97,395. January was thus by far the strongest month recorded here since the end of war. (The December 1946 tonnage was 1,110,732, which was the record for the whole year 1946).

American ships were coming here in larger numbers than before, the total January tonnage exceeding 330,000. European shipping was also quite conspicuous with a good number of Norwegian, Dutch, Swedish, Danish and French ships calling on Hongkong.

The returns for February will not be up to the January level on account of some drop in foreign trade of the Colony which is due to the restrictive trade policies of China. The estimated February total tonnage is about 900,000.

ARRIVALS FOR THE MONTH OF JANUARY, 1947

FLAG	Ocean Steamers No. Tonnage	River Steamers No. Tonnage	TOTAL No. Tonnage	Cargo River Steamers	Passengers River Steamers	Passengers Ocean Steamers	Passengers TOTAL
British	97 305,098	83 50,511	180 355,609	5,638	21,941	12,407	34,348
American	29 161,030	—	29 161,030	—	—	2,167	2,167
Chinese	35 48,126	12 2,375	47 50,501	741	1,414	5,789	7,203
Danish	3 14,349	—	3 14,349	—	—	10	10
Dutch	6 27,816	—	6 27,816	—	—	4,289	4,289
French	1 7,391	—	1 7,391	—	—	179	179
Norwegian	17 29,982	—	17 29,982	—	—	610	610
Panamanian	8 17,802	—	8 17,802	—	—	21	21
Philippine	3 2,990	—	3 2,990	—	—	67	67
U. S. S. R.	1 846	—	— 846	—	—	—	—
Swedish	6 16,219	—	6 16,219	—	—	32	32
Total Foreign	109 326,551	12 2,375	121 328,926	741	1,414	13,164	14,578
Total	206 631,649	95 52,886	301 684,535	6,379	23,355	25,571	48,926

DEPARTURES FOR THE MONTH OF JANUARY, 1947

FLAG	Ocean Steamers No. Tonnage	River Steamers No. Tonnage	TOTAL No. Tonnage	Cargo River Steamers	Passengers River Steamers	Passengers Ocean Steamers	Passengers TOTAL
British	89 273,871	82 48,937	171 322,808	6,530	23,757	11,365	35,122
American	31 170,736	—	31 170,736	—	—	1,618	1,618
Chinese	29 45,326	10 1,954	39 47,280	1,062	118	6,516	6,634
Danish	3 14,349	—	3 14,349	—	—	18	18
Dutch	6 29,463	—	6 29,463	—	—	2,974	2,974
French	1 7,391	—	1 7,391	—	—	211	211
Norwegian	14 26,237	—	14 26,237	—	—	1,791	1,791
Panamanian	8 6,876	—	8 6,876	—	—	15	15
Philippine	3 2,990	—	3 2,990	—	—	65	65
U. S. S. R.	2 2,705	—	2 2,705	—	—	—	—
Swedish	6 14,225	—	6 14,225	—	—	21	21
Total Foreign	103 320,298	10 1,954	113 322,252	1,062	118	13,229	13,347
Total	192 594,169	92 50,891	284 645,060	7,592	23,875	24,594	48,469

Hongkong's Trade in January

(By a Trade Analyst)

On the whole, the import and export trade of the Colony started the New Year well. Although imports of merchandise fell from \$113,453,479 in December to \$105,406,209 in January; nevertheless exports made a welcome rise from \$72,453,558 to \$102,591,823, which is a record "high" since the Japanese occupation.

There have been some startling changes in the figures compared with the previous month. Imports from China, the Colony's best business confederate, have dropped \$10 million: \$3 million from North China, \$1 million from the Central District and \$6 million from Southern China. It would seem that the chaotic economic conditions prevailing in China are taking toll with a vengeance on the country's trade. While exports to South China are up \$3 million, this increase is offset by a decrease of 2 million to North and a similar decrease to Central China.

Hongkong cannot regard these moves with equanimity. A major trade depression in China will be reflected in the commercial activity of this Colony.

Another large decrease was in imports from India as the import of piece goods and textiles which had reached \$9 million in December whittled away to just over \$½ a million in January. No doubt the closing of the China market was responsible for some of this, but merchants are probably adopting a cautious policy until they are sure what will be the long term effects of the textile industry which has just got under way in Hong Kong.

Another interesting feature is the export of piece goods and textiles to India. Only \$75,000 were sent in December, but in January the total rose to \$1 million; there was an overall increase in exports to India of some \$2 million.

Imports from the U.K. were up by \$4 million, Metals accounted for \$1 million, machinery and engines for almost a million, while there were increases in chemicals and drugs, dyeing and tanning materials and hardware.

The largest increase of all, however, in imports, were those from U.S.A., which jumped from \$9½ to nearly \$27 million. Of the \$15 million increase foodstuffs accounted for \$5 million, metals \$1 million, oils and fats \$2 million, paper \$1 million, and vehicles \$2 million. There were increases in all items from U.S.A. America also took an additional \$7 million in exports during the month, practically all tung oil.

Other countries which sent Hong Kong more in the month were the Philippines, with an increase of \$1 million, and most European countries showed increases as did the African colonies and Egypt. On the other hand Norway sent \$2 million less and Macao \$1 million less.

The largest increase in our export trade was to Malaya, which bought \$22½ million worth of goods as against \$10½ million in the previous month. Piece goods and textiles were up almost \$13

million as the export control from Hong Kong was lifted. Siam also took an additional \$3½ million of our exports, \$2½ million of which represented textiles.

A minor feature of the January figures is the increasing trade both by way of imports and exports with the N.E.I.

The major lesson of the January figures, however, is that if a country wishes to increase its trade, the first thing

to do is to remove impediments in the way of free trade. Towards the end of December the prohibition of the export of textiles and piece goods was removed, so the export of textiles increased from \$7½ million to \$19½ million. The other large increase in exports was in metals, which jumped \$8½ million compared with the previous month. Oils and fats advanced a further \$5 million, mainly due to increased exports of tung oil to U.S.A.

TOTAL VALUES OF IMPORTS & EXPORTS OF MERCHANDISE BY COUNTRIES

COUNTRIES	Imports from		Exports to	
	January 1946	January 1947	January 1946	January 1947
	\$	\$	\$	\$
United Kingdom	670	13,870,845	121,866	1,433,972
Australia	442,324	4,377,720	—	398,307
Burma	—	—	—	218,247
Canada	—	1,524,073	31,642	87,039
Ceylon	—	45,239	19,114	511,880
East Africa	—	215,562	—	—
India	—	2,049,190	1,008,070	3,593,748
Malaya (British)	3,591,071	4,759,903	9,228,150	22,723,984
New Zealand	—	51,186	562	188,451
North Borneo	—	316,726	—	221,177
South Africa	—	315,000	—	1,358,231
West Africa	—	—	—	28,613
West Indies	—	—	—	29,445
British Empire, Other	—	915,763	320	359,744
Belgium	—	903,704	—	309,506
China, North	15,123,589	3,567,461	1,258,276	3,005,983
China, Middle	6,107,957	3,123,462	1,007,666	3,702,222
China, South	16,568,369	22,144,512	5,421,424	17,446,905
Cuba	—	—	—	184,807
Central America	—	181,600	—	30,672
Denmark	—	8,160	—	140,040
Egypt	—	52,914	—	514,582
France	—	385,984	—	999,152
French Indo China	—	1,458,780	—	1,393,222
Germany	—	—	—	—
Holland	—	395,355	—	218,333
Italy	—	1,883,691	—	842,837
Japan	—	—	—	—
Kwong Chow Wan	—	364,169	115,537	400,574
Macao	4,694,767	7,924,880	1,765,018	4,431,918
Norway	—	1,137,097	—	195,941
Netherlands East Indies	—	25,740	—	1,423,058
Philippines	—	2,420,640	1,565	3,769,237
Portugal	—	55,809	—	34,843
Siam	700	2,672,709	—	5,915,587
South America	—	—	—	44,582
Sweden	—	65,344	—	976,766
Switzerland	—	456,819	—	11,480
Spain	—	30,370	—	—
U. S. A.	850,064	26,951,432	3,362,384	19,119,219
U. S. S. R.	—	—	—	2,299,462
Others	181,019	754,370	—	4,048,077
Total	47,560,530	105,406,209	23,339,594	102,591,823
Total British Empire	4,034,065	28,441,207	10,407,724	31,152,818
Total Foreign	43,526,465	76,965,002	12,931,870	71,439,005

Articles	Imports		Exports	
	January 1946	January 1947	January 1946	January 1947
	\$	\$	\$	\$
Animals, Live	1,766,210	2,203,720	—	—
Building Materials	288,328	2,483,488	46,870	152,750
Chemicals & Drugs	239,381	2,731,874	422,205	2,321,726
Chinese Medicines	5,480,823	5,082,322	4,298,709	3,387,730
Dyeing & Tanning Materials	284,105	2,366,847	86,672	829,308
Foodstuffs & Provisions	16,429,525	20,190,176	6,976,998	11,300,475
Fuels	71,810	789,808	1,610	302,170
Hardware	26,720	916,815	124,858	665,241
Liquors, Intoxicating	380,872	1,090,545	358,306	470,706
Machinery & Engines	4,029,100	1,238,697	41,740	137,839
Manures	3,030	200,730	13,325	468,380
Metals	58,448	6,461,174	365,005	10,574,802
Minerals & Ores	—	630,246	100,000	1,042,032
Nuts & Seeds	2,509,172	1,449,247	1,028,935	882,782
Oils & Fats	2,102,925	15,172,230	3,095,974	24,685,354
Paints	69,017	389,079	155,575	397,763
Paper & Paperware	993,242	5,544,519	743,549	3,340,528
Piece Goods & Textiles	4,863,017	10,028,870	1,023,412	19,344,496
Railway Materials	—	—	—	—
Tobacco	1,099,522	3,151,036	90,137	1,100,768
Vehicles	100,600	4,415,614	1,655	283,196
Wearing Apparel	783,274	1,306,288	803,403	3,789,075
Sundries	5,981,409	17,563,384	3,560,656	17,114,732
Total Merchandise	47,560,530	105,406,209	23,339,594	102,591,823
Treasure	—	29,364,297	670	36,578,897
Grand Total	47,560,530	134,770,506	23,340,264	139,170,720

Trade Review of Hongkong

Imports of merchandise into Hongkong during January amounted to a declared value of \$105,406,209 (\$28,441,207 from the British Empire and \$76,965,002 from the non-Empire countries) as compared with \$47,560,530 (\$4,034,065 from the British Empire and \$43,526,465 from the non-Empire countries) in the month of January, 1946.

Exports of merchandise totalled a declared value of \$102,591,823 (\$31,152,818 for the Empire and \$71,439,005 for Foreign Countries) as compared with \$23,339,594 (\$10,407,724 for the Empire and \$12,931,870 for Foreign Countries).

Hongkong Govt. sponsored cargo has not been included in the above figures. The largest single item of sponsored imports during January was Japanese cotton yarn, the total quantity having amounted to 5,500 bales, valued approx. at HK\$ 9 million. Foodstuffs are another very important item of the "sponsored goods".

China as a trading partner is losing slowly its importance for Hongkong. Imports from China dropped \$ 10 million in value as against the preceding month, and exports to China maintained themselves only on account of Chinese Customs unrecorded trade; still they registered a drop of about one million against December 1946.

Hongkong trade returns give, on the whole, an accurate picture of actual imports and exports. The goods and produce imported from China are never concealed at their arrival in the Colony since there are no restrictions in force here; under different conditions it would most probably lead to the exertion of Chinese import smuggling. As to exports from the Colony there is very little need for smuggling except in the few items of export controlled articles; some cases of unmanifested cargo (pigeon cargo) apprehended aboard smaller ships come up with more or less regularity.

British Malaya develops into the leading export market for Hongkong. During January Malaya bought as much as the whole of China. The United States may figure even more prominently in the future of Hongkong's trade; the outlook for U.S. imports & exports is very bright. Only the cumbersome exchange procedures for import payments of U.S. goods militate somewhat against a further expansion of Hongkong—U.S. trade.

The increase of cotton piece goods exports from Hongkong mostly to Far Eastern customers, about \$ 12 million over the preceding month, while in itself very encouraging, should not lead one to expect similar monthly returns; the January export of local piece goods resulted from accumulated stocks. Previously local mills were banned from exporting their products. Only early in January the export embargo was lifted (after Japanese yarn arrivals in the Colony). Piece goods exports during next months are expected to contribute in a fair way to the balancing of the Colony's foreign trade.

The exportation of metals could be further encouraged although it appears that Hongkong, while not producing any larger quantity of metals itself, exported about 60 percent more than it imported. Exports of dyestuffs and industrial chemicals (such as required by the cotton industry) have been developed of late but the prospects for this particular trading line are still rather untapped.

Leading importing countries in January were: U.K. with \$ 13.8 million, Malaya with \$ 4.7, Australia with \$ 4.3, Macao with \$ 7.9 million. If treasure imports are added to the merchandise imports from America, the U.S. were the largest importing country for January (merchandise imports totalled \$26.9 million).

The trade with China yielded a favourable balance for China amounting to \$ 4.7 million (total imports from China \$ 28.8, total exports to China \$ 24.1 million).

The chief customers of Hongkong for January were: Malaya with \$ 22.7 million, U.S. \$ 19.1, Siam \$ 5.9, Macao \$ 4.4, Philippines \$ 3.7, India \$ 3.5, USSR \$ 2.3 million.

Life in Kobe of To-day

By "DIOGENES"

The impressions of a visitor to Kobe to-day could be given from two angles—those of a tourist and those of a businessman.

To a tourist the post-war Kobe appears as a ruin on the site of which numerous new wooden huts and sheds have been built sporadically throughout the city. Two thirds of the area of the city were wiped out with incendiary bombs during the war. There still remains comparatively intact a section of the hillside and part of the harbour installations. Efforts are made with what material is at present accessible to rehabilitate the heart of the city. Only in the centre of the city is there any effort to erect more than simple wooden structures. There is no attempt at following any architectural plan or type. In the hurried first phase of re-building with any material at hand there has been neither time nor money to follow the traditional Japanese ideas of art and craft.

Throughout the city there broods a strange stillness and the life of the once busy city appears to have departed but there are signs of a new but different Kobe in the making. The industry and hardworking traits of the Japanese are apparent in their effort to overcome adversity but the restrictions imposed by the Occupation Authorities at present prevent their attempting rehabilitation on any large scale.

Poverty and destitution are rife in the city as is evident from the numbers that may be found prowling in quiet corners of the city scavenging what they can find amongst the debris and garbage. The people seem to work as industriously as ever and do not seem in any way too despondent. They are subject to constant search and control by patrols of Military Police but their behaviour on the whole is marked with a spirit of indifference.

The Harbour of Kobe

The once busy harbour where all the buoys and docks were fully utilised and small craft plied with incessant activity is now a scene of comparative inactivity. Occasionally a native-built diesel propelled vessel is seen puffing across the harbour and the only activity is that shown by a few Allied steamers and the constant cruising of American landing craft and rescue boats. A number of captured Japanese coasters and a few even larger vessels lie about in idleness.

Trams and Rickshaws

On land, public conveyance relies mainly on the tramway which runs at about one twentieth of its peak operation. Crowds waiting at long intervals on the platforms can easily bear witness that street-cars are under-supplied. There are rickshaws and taxis. Such service could be acquired only at fabulous prices. Taking a twenty-minute walking distance, the rickshaw fare would likely come to hundred times the street-car fare, which is, as an exception only, maintained by the government.

No allied personnel is supposed to be allowed to board the street-cars or public vehicles, which is to the utter disadvantage of the tourist.

Food and Rations

Regarding food supply, the ration system existing now in Kobe was enforced on a permanent basis. However, the quantity of rations amounts to merely at par with the basic requirements for human sustenance. To the allied nationals domiciled there, special rations are allotted that can promise some sufficiency of nourishment. Generally, whatever is found in deficit would have to be made up in the black market, which has now a wide-spread existence. The Japanese have little of everything but enough of none. Of all the staple foodstuffs under ration, sugar is falling off from the list.

That sugar hunger is imminent in Kobe is well attested by the incident on the wharf, where ships dock to unload sugar for SCAP. Out from a broken bag of sugar, the stevedores handling it pinched ambitiously. Japanese are sugar-loving people who had long formed the habit of eating sweets.

Among the people, under-nourishment is apparent. This is somehow connected with the inflation, which affects the high cost of living. A pound of fish, usually sold for 30 cents, is now fetching 25 yen. Parsnip (to be salted) which has in history been Japan's national favorite, soared from 2 cents a pound to 5 yen. Meat is considered to be a luxury. The famous Japanese soy-sauce finds now its reputation shaken.

Japanese Clothing

As to clothing there is no sign of shortage. Kimonos and pyjamas of silk fabric are lavishly displayed in almost all of the gift-shops. The daily wear of the average people has still maintained a rather presentable standard. There is no trace that the war has brought much change in this connection. However, appearance gives only meagre appeal to the average Japanese.

Ever since the beginning of this year leather goods have come under ban. It will be only a matter of time that the wooden clogs will become the popular foot-wear in Japan once again.

Japanese Attitude

In conversation with some GI garrisoned in Kobe impressions are gathered that a great number of the local Japanese merely hold a sort of superficial respect toward the occupation forces. Yet, face to face, signs of submission, hypocritical perhaps are obvious. SCAP's policy towards the people is one of great attention and care in every walk of life. And, in turn, the grateful response of the public toward the benign rule of the Supreme has increased.

To the mentality of the militaristic Japanese defeats in their code mean death, starvation and indignities. So far they have been saved from these spells. They begin to realise a new outlook. Perhaps this is the first time that the element of kindness by foreigners has impressed itself on the minds of the Japanese as a race.

Financial Position

The currency of Japan is at present quite unstable. From the beginning of the occupation until now, the currency experienced conversion for three times. Each time when conversion was proclaimed the old currency had to be surrendered. In exchange new paper-money would be issued on a specified date, exceeding which the old one became null. Thus, the possession of money of each individual could be well registered by the government. At the time of issue, none but enough for living expenses would be allotted to the individual, and any excess to be found would be frozen. Stern measures have also been taken against hoarders which amounted to another check on those having wealth in goods. As applying to the allied nationals, such restrictions were comparatively relaxed.

Industrial Position

Industries of Japan are on the verge of a crisis except those which function for the repayment of indemnities.

During the expected change-over of the nation's social and economic structure from major to light industries and partly to agriculture, confusions will be likely. Salary workers in government offices, public utility enterprises or private concerns are not satisfied, and many would prefer to be hawkers. Such kind of business, no matter how uncertain it appears, can keep these people afloat with the tide of inflation.

Night Life in Kobe

In these days of abnormalcy and absurdity, there is a big boom in amusement resorts in Kobe. Tea-rooms and restaurants are springing up with generally good business to cope with. According to a Chinese restaurateur, over 80% of his patrons are Japanese. It appears nobody wants to save these days but to enjoy his life. Restaurants, tea-rooms and amusement places are usually overcrowded and do a great business.

The night-life in Kobe is poor, aside from a few establishments operated for the Forces. Streets appear deserted in the early hours of the night. To the tourist, it is a long and lonesome trail on return to the ship.

THE LUMBER MARKET IN SHANGHAI

Shanghai, China's principal port of entry for foreign lumber, offers a potential market for substantial quantities of lumber for building and heavy construction. The inauguration of an extensive reconstruction program is not, of course, possible in the immediate future. However, a preview of the lumber needs of Shanghai, as indicative of conditions throughout China, may be of interest to exporters who look forward to resuming trade with, or who plan to enter, that market.

It is estimated that approximately 700,000 families are living in Shanghai and that between 500,000 and 600,000 residences would be needed to house them. In 1937, Shanghai had about 350,000 houses, and it may be assumed that little construction has been done since the "China Incident" of that year. About 10 percent of these houses were destroyed during the war. These facts indicate a current deficit of 200,000 to 300,000 homes. In the typical Chinese urban house a minimum quantity of lumber is utilized, chiefly for floors, window sashes and frames, doors, and roof members. Assuming that 2,000 board feet of lumber is used per house (10,000 board feet is a conservative estimate for an average five-room frame house in the United States), 400,000,000 to 600,000,000 feet of lumber would be required to construct the number of houses now needed. An even larger quantity could be used effectively for other purposes.

Varied Handicaps Exist

Since VJ-day, little has been done to alleviate the acute shortage of homes, commercial buildings, and other structures. Owing to the high cost of labour and materials, only essential repairs have been made in residences, buildings, docks, and railways. In February 1946, the municipal government of Shanghai started a 4,000-unit building program for low- and middle-income groups, but the project was discontinued in its early stages because of rising labour costs. Abolition of rent restrictions on buildings erected after September 1945 also failed to stimulate the building industry.

Shanghai cannot depend upon domestic sources for lumber; the forests of China are situated mainly in sections remote from the populated areas, sawmilling methods are primitive, and transportation is poor and expensive. Freight charges for a few hundred miles of coastal shipping are more than triple the freight rates from United States west-coast ports to Shanghai. During the first 8 months of 1946, Shanghai received about 30,000,000 feet of pine and fir lumber from nearby Provinces. Much of even this small quantity, however, was of poor quality, suited chiefly for rough construction and boxes.

Pine from Sakhalin, the Russian-held island north of Japan, and from Siberia is expected to be reintroduced to the Shanghai market in 1947. Sakhalin pine has not been imported since the end of the war, and only a small quantity of logs was left by the Japanese. This lumber is used chiefly in the production of shook; except for native-type houses, it is little used in construction. Siberian pine has not been imported into Shanghai for more than 10 years, but annual imports formerly amounted to about 10,000,000 board feet. Local dealers state that Russia is preparing to make shipments of Siberian pine logs and lumber to China in 1947. It is reported that plans are being made by Russia to supply lumber and timber in standard American sizes, as well as to furnish logs for sawing in Chinese mills.

In 1937, Shanghai had nine sawmills of significant size and an additional number of small plants and workshops which produced limited quantities of lumber. These nine mills had an estimated daily capacity of 240,000 board feet. Another native mill of moderate size was built in 1939. During the war, a number of these mills were destroyed or badly damaged, and the remainder suffered deterioration. On the other hand, the Japanese established seven mills with a combined daily capacity of about 100,000 board feet. These were kept in relatively good condition. To-day, the total daily capacity of all mills is estimated at 150,000 to 200,000 board feet, but actual production is not more than 35,000 feet.

Restoration of the full productive capacity of Shanghai's mills is being delayed by lack of capital, which is attracted to the more speculative enterprises, and by the reluctance of owners to reestablish their business in view of the uncertainties of the political and economic situation. Sawmill equipment is worn out, and the immediate prospects for replacement are not bright. Furthermore, continued inflation, resulting in rising labour costs, has greatly increased the cost of operations. Because of the availability of cheap labour in former years, mills were not equipped with labour-saving devices, and some will require extensive remodeling if they are to operate at a profit.

Imports

Shanghai is largely dependent on imports for construction grades and sizes of lumber, because of the deficiency of the local supply. However, from VJ-day through August 1946, lumber and timber imports, including railway ties and piling were only about 46,000,000 board feet. Total imports of these products into the Shanghai district during the first 8 months of 1946 were less than the average monthly imports in 1936.

Douglas fir, lauan, and teak are the principal species in current demand. Export restrictions in Siam and Burma have limited the 1946 imports of teak. This wood normally is used in the manufacture of furniture, interior finish, and railway and tramcar

bodies, but at present the prohibitive price discourages its use except in the manufacture of furniture.

No shipments of lauan have been received since VJ-day, and prewar stocks in Shanghai are small. The best grades of lauan formerly were obtained from the Philippine Islands, but export restrictions imposed by the Philippines have cut off this source of supply. Lauan is used principally for plywood, flooring, and interior finish.

Imports of timber into Shanghai are shown in the accompanying table.

Fluctuating Prices

Lumber prices in Shanghai have fluctuated widely during the past year. Speculation in anticipation of a building boom caused prices of Douglas fir to rise to more than US\$1,000 per thousand board feet at the beginning of the year. Current prices are much lower. Douglas fir is imported at a landed cost to the importer of US\$150 per thousand. The retail price of this species during August and the first half of September was US\$210 per thousand feet, whereas that of domestic fir varied from \$89.50 to \$173.

Outlook

Because of unsettled conditions in China, large-scale importation of lumber in the immediate future is unlikely. However, current imports are insufficient to meet requirements, and a market exists for all grades and sizes of lumber in moderate quantities.

Imports of Timber into Shanghai, 1936-42

	(In cubic meters*)						
Item	1936	1937	1938	1939	1940	1941	1942
Timber, ordinary, rough hewn and round logs, hardwood	67,378	59,384	20,958	99,074	113,845	61,352	95
Timber, ordinary, rough hewn and round logs, softwood	129,093	73,818	36,488	62,164	55,195	21,951	5,152
Timber, ordinary, sawn hardwood	16,205	11,267	9,494	18,830	13,684	40,392	2,377
Timber, ordinary, sawn softwood	221,311	112,295	50,434	166,203	201,693	52,688	9,174
Railway sleepers, number of pieces	341,735	319,290	897	—	189,490	278,243	120,933
Teak Wood beams, planks and logs	2,344	3,931	464	1,637	3,045	4,558	63

* Except railway sleepers which are given in number of pieces. One cubic meter equals 424 board feet.

